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

Brilliance Auto

华 晨 汽 车

Annual Report 2014

* *for identification purposes only*

Contents

Corporate Information

BOARD OF DIRECTORS

Mr. Wu Xiao An
(also known as Mr. Ng Siu On) *(chairman)*
Mr. Qi Yumin *(chief executive officer)*
Mr. Wang Shiping
Mr. Tan Chengxu
Mr. Lei Xiaoyang#
Mr. Xu Bingjin*
Mr. Song Jian*
Mr. Jiang Bo*

\# *non-executive director*
* *independent non-executive director*

AUTHORISED REPRESENTATIVES

Mr. Wu Xiao An
Mr. Lei Xiaoyang

CHIEF FINANCIAL OFFICER

Mr. Qian Zuming

COMPANY SECRETARY

Ms. Lam Yee Wah Eva

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1602–05
Chater House
8 Connaught Road Central
Hong Kong

AUDITORS

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited,
Hong Kong Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISORS TO THE COMPANY

Appleby
Troutman Sanders

INVESTOR RELATIONS

Weber Shandwick
10th Floor, Oxford House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

The main board of The Stock Exchange of Hong Kong Limited: 1114

Financial Highlights

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (ALTOGETHER THE "GROUP")

(Amounts in thousands except earnings per share)

	Year Ended and as at 31st December,				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income Statement Data:					
Revenue	**5,514,804**	6,103,487	5,915,991	6,442,858	8,948,740
Profit before Income Tax Expense	**5,342,882**	3,324,729	2,294,607	1,949,412	1,464,903
Income Tax (Expense) Credit	**(42,913)**	(8,370)	(57,564)	(58,010)	53,907
Profit for the Year	**5,299,969**	3,316,359	2,237,043	1,891,402	1,518,810
Attributable to:					
Equity Holders of the Company	**5,403,434**	3,374,200	2,301,022	1,812,286	1,270,926
Non-controlling Interests	**(103,465)**	(57,841)	(63,979)	79,116	247,884
	5,299,969	3,316,359	2,237,043	1,891,402	1,518,810
Basic Earnings per Share	**RMB1.07515**	RMB0.67138	RMB0.45804	RMB0.36263	RMB0.25452
Diluted Earnings per Share	**RMB1.07082**	RMB0.66870	RMB0.45605	RMB0.35931	RMB0.25219
Statement of Financial Position Data:					
Non-current Assets	**16,862,136**	12,466,261	9,640,197	6,779,030	6,121,936
Current Assets	**6,344,793**	6,524,002	6,417,359	6,031,623	7,098,192
Current Liabilities	**(7,133,993)**	(6,792,518)	(6,857,184)	(6,571,866)	(7,961,617)
Non-current Liabilities	**(119,003)**	(56,400)	(1,900)	(1,600)	(2,000)
Non-controlling Interests	**977,400**	873,935	816,094	752,115	1,068,815
Shareholders' Equity	**16,931,333**	13,015,280	10,014,566	6,989,302	6,325,326

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I hereby present the annual results of Brilliance China Automotive Holdings Limited for the year ended 31st December, 2014.

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 Automotive Ltd. ("**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.

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.

Last but not least, I would like to express my sincere appreciation to our shareholders, business partners, management team and employees for their continued support and dedication to the Group.

Wu Xiao An
(also known as Ng Siu On)
Chairman
26th March, 2015

Management's Discussion & Analysis

BUSINESS REVIEW

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.

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.

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

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.

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. More details in respect of the Company's emolument policy and the basis for determining the emolument payable to the Company's directors are set out in note 10(b) to the financial statements.

Directors, Senior Management and Company Secretary

EXECUTIVE DIRECTORS

Mr. Wu Xiao An (also known as Mr. Ng Siu On), aged 53, has been the chairman of the board of directors (the "**Board**") of the Company since 18th June, 2002 and our executive director since 11th January, 1994. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Wu has over 20 years of experience in the automotive industry and is primarily responsible for the overall strategic planning and business development of the Group. He was the vice chairman and the chief financial officer of the Company from January 1994 to June 2002. He has been a director of Huachen Automotive Group Holdings Company Limited ("**Huachen**") since October 2002, a director of Shenyang Automotive since January 1994, and the chairman of BMW Brilliance since May 2003. From 1988 to 1993, he was the deputy manager of the Bank of China, New York Branch. Mr. Wu obtained a bachelor's degree of arts from Beijing Foreign Languages Institute (now known as Beijing Foreign Studies University) in 1985 and a master of business administration degree from Fordham University in New York in 1992. Currently, Mr. Wu is the chairman of the board of directors of Xinchen China Power Holdings Limited ("**Power Xinchen**", a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1148)). In March 2011, Mr. Wu was appointed as a director and in April 2012 designated as an executive director of Power Xinchen.

Mr. Qi Yumin, aged 55, has been an executive director, the president and the chief executive officer of the Company since 6th January, 2006. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Qi has served as the chairman and president of Huachen since December 2005. Since January 2006, he has been appointed as the chairman and a director of Shenyang Automotive and since November 2006, Mr. Qi has been a director of BMW Brilliance. From 1982 to 2004, Mr. Qi held various positions in Dalian Heavy Industries Co., Ltd., including chairman and general manager. From October 2004 to December 2005, he was the vice mayor of Dalian municipal government. Mr. Qi graduated from Xi'an University of Technology (formerly known as Shanxi Institute of Mechanical Engineering) Department of engineering and economics, with a major in machinery manufacturing management and engineering, in July 1982 and a master's degree in business administration from Dalian University of Technology in April 2004. He was qualified as a senior engineer (professor level) by the Personnel Department of Liaoning Province in December 1992. In November 2011, Mr. Qi was appointed as a director and in April 2012 designated as a non-executive director of Power Xinchen. Since May 2009 and April 2009, he has been appointed as the chairman and a director of JinBei (stock code: 600609) and Shanghai Shenhua (stock code: 600653), respectively, both of which are companies listed on the Shanghai Stock Exchange.

Mr. Wang Shiping, aged 58, has been an executive director of the Company since 16th September, 2005. Mr. Wang has been appointed as a director of Shenyang Automotive since July 2005 and the vice president of Huachen since March 2005. Mr. Wang was previously the deputy head engineer of Radiator Branch Company of China First Automobile Group Corporation, the general manager of FAW-ZEXEL Air-Condition Branch Company, the deputy general manager and director of Strategic Planning of Fawer Automobile Part Co., Ltd. Mr. Wang is a senior engineer (researcher) in corporate management. He graduated from Anshan Iron & Steel University in 1982 with a bachelor's degree in engineering. He also received a master's degree in business economics from the Graduate School of the Chinese Academy of Social Sciences in 1998. Since November 2010 and December 2005, Mr. Wang has been appointed as a director of JinBei and Shanghai Shenhua, respectively.

Mr. Tan Chengxu, aged 51, has been an executive director of the Company since 10th November, 2010. Mr. Tan has been appointed as a director and the vice president of Huachen since March 2010, and a director and the vice chairman of Shenyang Automotive since June 2011. Mr. Tan is a senior engineer. Mr. Tan was a tutor of Dalian Railway Institute (now known as Dalian Jiaotong University) from August 1985 to December 1986. He was working in Dalian Locomotive and Rolling Stock Co. Ltd. from December 1986 to March 2005. Mr. Tan was a deputy director of the Economic Committee of Liaoning Provincial Government of the People's Republic of China (the "**PRC**") from March 2005 to March 2009 and a deputy director of the Liaoning Provincial Economy and Informatization Commission of the PRC from March 2009 to March 2010. Mr. Tan obtained a bachelor's degree in mechanical engineering from Dalian Railway Institute (now known as Dalian Jiaotong University) in 1985. He was awarded a master's degree in business administration and a doctorate degree in management by Dalian University of Technology in 2001 and 2007, respectively. Since September 2010, Mr. Tan has been appointed as a director of JinBei.

NON-EXECUTIVE DIRECTOR

Mr. Lei Xiaoyang, aged 58, has been a non-executive director of the Company since 1st July, 2008. Mr. Lei was a non-executive director of the Company from June 2003 to June 2005, an executive director of the Company from June 2005 to June 2008 and the chief financial officer of the Company from October 2006 to June 2008. Mr. Lei has been appointed as a director of Shenyang Automotive since November 2006 and the senior vice president finance and chief financial officer of BMW Brilliance since May 2008. He has been appointed as the vice president of Huachen since June 2011 and the chief legal counsel to Huachen since June 2006. Mr. Lei was the assistant president of Liaoning International Trust and Investment Corporation from June 1996 to September 2002, and was in charge of the financing department, the accounting department, the strategic planning department and the international finance department. Mr. Lei holds a bachelor's degree in engineering from Shenyang Polytechnic University and a master's degree in finance from Liaoning University as well as a master's degree in business administration from Roosevelt University. Since November 2010 and June 2006, Mr. Lei has been appointed as a director of JinBei and Shanghai Shenhua, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Bingjin, aged 75, has been an independent non-executive director of the Company since 27th June, 2003 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meeting held on 18th May, 2012. Mr. Xu is also the chairman of the audit committee, remuneration committee and nomination committee of the Company. Mr. Xu is currently the president of The Association of Sino-European Economic and Technical Cooperation. He was formerly an assistant minister of The Ministry of Foreign Economic and Trade Cooperation, the deputy director of the Office of National Mechanic and Electronic Products Importation and Exportation and the vice president of the World Trade Organization Research Association. Mr. Xu received a bachelor's degree in engineering economics from Jilin University of Technology in 1964 and holds the title of senior engineer. Since September 2004, Mr. Xu has been appointed as an independent non-executive director of Qingling Motors Co. Ltd. (stock code: 1122), a company listed on the main board of the Stock Exchange.

Mr. Song Jian, aged 58, has been an independent non-executive director of the Company since 17th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meeting held on 30th May, 2014. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Song is currently the dean of the Automotive Technology Institute at Tsinghua University, the vice director of the National Laboratory in Automotive Safety and Energy and an expert consultant to the Beijing Government. Mr. Song was formerly the deputy dean of the automotive engineering department at Tsinghua University. In 1998, Mr. Song received the Award for Outstanding Science and Technology Persons in the China Automotive Industry. In 2005, he was ranked first in the Class One China Automotive Industry and Technology Advancement Award. In 2006, Mr. Song was named jointly by The China Association of Automotive Industry, The China Society of Automotive Engineering and The China Automotive News as the best chief designer of the automobile industry in the PRC. In 2008, Mr. Song was awarded "The Outstanding People of the China Automotive Industry: Commemorating the 30th Anniversary of China's Reform and Opening-up". In 2009, Mr. Song won "China Academic Award for Creative Talents of Automotive Industry – First Prize" from the State Ministry of Education. Mr. Song holds a bachelor's degree and a doctorate, both in engineering science, from Tsinghua University. He is currently a professor of the automotive engineering department at Tsinghua University. Since May 2010, Mr. Song has been appointed as an independent non-executive director of Hybrid Kinetic Group Limited (stock code: 1188), a company listed on the main board of the Stock Exchange.

Mr. Jiang Bo, aged 55, has been an independent non-executive director of the Company since 27th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meeting held on 30th May, 2014. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Jiang is a certified public accountant and a certified public valuer in the PRC. Currently, Mr. Jiang is a managing partner of RuiHua Certified Public Accountants in the PRC. He was a director of Dandong Zhongpeng Accounting Firm from 1993 to 1999. Mr. Jiang has approximately 21 years of experience in auditing financial statements of companies listed on the PRC stock exchanges. Mr. Jiang has been a certified public valuer since 1998 and has been involved in asset appraisals of companies in preparation for listing in the PRC. He has participated in various listing projects of state-owned enterprises in the PRC and overseas and has gained experience in reviewing and analyzing the audited financial statements of companies listed in the PRC. Mr. Jiang has worked with one of the "Big-4" international accounting firms in the auditing of a state-owned enterprise. Mr. Jiang holds a bachelor of science degree in mathematics from Liaoning University and a diploma in accounting from Central Finance and Economics University. Since July 2007, Mr. Jiang has been appointed as an independent non-executive director of China HealthCare Holdings Limited (stock code: 673), a company listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Qian Zuming, aged 52, has been the chief financial officer of the Company since 1st July, 2008. Mr. Qian has been appointed as an assistant to the president of Huachen since December 2009 and a director of Shenyang Automotive since January 2010. Mr. Qian is a fellow of the Institute of Financial Accountants of the United Kingdom. He is also an academic member of the Association of International Accountants. Mr. Qian holds a master's degree in finance from the Graduate School, The Chinese Academy of Social Sciences and a master's degree in business administration from The Wisconsin International University (USA), Ukraine.

Ms. Lisa Ng has been a senior vice president of the Company since October 2006, with primary responsibilities in investor relations, capital market transactions, and financial reporting review. In addition, she is also the company secretary to the board of directors and audit and compliance committee of BMW Brilliance. Ms. Ng is a qualified Chartered Accountant with the Canadian Institute of Chartered Accountants. Ms. Ng graduated from the University of Waterloo with a bachelor of arts (honours) degree in chartered accountancy. She is also a graduate from the Schulich School of Business of York University with a master of business administration degree majoring in corporate finance. Ms. Ng has extensive experience spanning from public accounting to corporate finance and private equity. Prior to joining the Group, she had spent seven years with AIG Global Investment Corp. (Asia) Ltd. and was responsible for the sourcing and execution of private equity investments. She was also a member of the Listing Division of The Hong Kong Exchanges and Clearing Limited, as well as an auditor with Ernst & Young in Canada.

Ms. Huang Yu is currently the vice president and chief accountant of the Company. Ms. Huang has worked for Shenyang Automotive as a financial analyst and internal auditor from July 1999 to June 2000, and worked as a manager of the financial center of the Group from June 2002 to April 2007. She was appointed as the qualified accountant of the Company from May 2007 to January 2009 pursuant to the requirements set out in the Listing Rules. She has been the chief accountant of the Company since May 2007. Ms. Huang graduated with a bachelor's degree and a master's degree, both in economics, from South Western University of Finance and Economics. She is a certified public accountant of the PRC and also a member of the Association of Chartered Certified Accountants. Ms. Huang also obtains the qualifications to be a lawyer in the PRC.

Mr. Wang Tao, aged 59, has served as general manager of Shenyang Automotive since February 2012. During the period from 1991 to 2011, Mr. Wang served as executive vice general manager of Jinbei GM Automotive Co., Ltd., general manager of Jinbei Automotive Materials Corporation, general dispatcher (in charge of production) of FAW Jinbei Automobile Co., Ltd., executive vice general manager of JinBei and executive vice general manager of Brilliance Zhonghua Automotive Co., Ltd.. Mr. Wang graduated with a bachelor's degree in economic management from Liaoning Provincial Party School in 1991.

COMPANY SECRETARY

Ms. Lam Yee Wah Eva has been the company secretary of the Company since 20th June, 2005. Ms. Lam is an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators. Ms. Lam graduated from The City University of Hong Kong with a bachelor of arts (honours) degree in public and social administration. She was also awarded a postgraduate diploma in corporate administration by The City University of Hong Kong. Prior to joining the Company in March 2004, Ms. Lam worked in the company secretarial department of Hang Seng Bank Limited (stock code: 11) and Tom.com Limited (now known as TOM Group Limited (stock Code: 2383)), both of which are listed on the Stock Exchange. Ms. Lam also has five years' working experience in the company secretarial department of Ernst & Young, a certified public accountants firm in Hong Kong.

Report of Directors

The directors of the Company present this report together with the audited financial statements of the Group for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company is a holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the PRC through its major joint venture, BMW Brilliance, and manufacture and sale of minibuses and automotive components through its subsidiaries. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

Prior to May 1998, the Company's sole operating asset was its interests in Shenyang Automotive. As a result, the Company's historical results of operations had been primarily driven by the sales price, sales volume and cost of production of Shenyang Automotive's minibuses. With a view to maintain quality, ensure a stable supply of certain key components and develop new businesses and products, the Company has acquired interests in various suppliers of components and established joint ventures in the PRC since May 1998. With additional investments and joint ventures, the Company's income base has since been broadened and its financial performance has been diversified from that of Shenyang Automotive.

In May 1998, the Company acquired indirect interests in two automotive components suppliers in the PRC: a 51% equity interest in Ningbo Yuming Machinery Industrial Co., Ltd. ("**Ningbo Yuming**"), which primarily engaged in the production of automobile window molding, stripping and other auto components; and a 50% equity interest in Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**"), which primarily engaged in the development, manufacturing and sale of light-duty gasoline and diesel engines for use in passenger vehicles and light commercial vehicles. In October 1998, June 2000 and July 2000, the Company established Xing Yuan Dong, Ningbo Brilliance Ruixing Auto Components Co., Ltd. ("**Ningbo Ruixing**") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), respectively, as its wholly owned subsidiaries to centralize and consolidate the sourcing of auto parts and components for Shenyang Automotive. In 2001, in order to maintain their eligibility for preferential tax treatment from the PRC government, all three companies began manufacturing automotive components as well. Subsequently in 2004, the Company acquired the remaining 49% equity interest in Ningbo Yuming which became a wholly owned subsidiary of the Company on 25th November, 2004.

In December 2000, the Company acquired a 50% equity interest in Shenyang Xinguang Brilliance Automobile Engine Co., Ltd., a Sino-foreign equity joint venture primarily engaged in the manufacturing of gasoline engines for use in passenger vehicles. In December 2001, the Company acquired a 100% equity interest in Shenyang Brilliance Dongxing Automotive Component Co., Ltd. ("**Dongxing Automotive**"), a foreign-invested manufacturer of automotive components in the PRC.

On 18th April, 2002, Shenyang Jindong Development Co., Ltd. ("**Shenyang Jindong**") was established for the purpose of trading automotive components in the PRC. Currently, it is indirectly beneficially owned as to 80.45% by the Company.

In May 2002, Shenyang Automotive obtained the approval from the Chinese Government to produce and sell Zhonghua sedans in the PRC. The Zhonghua sedans were launched in August 2002. The Zhonghua sedan business was disposed of to Huachen in December 2009.

On 27th March, 2003, the Company, through its indirect subsidiary, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), entered into a joint venture contract with BMW Holding BV to produce and sell BMW-designed and branded sedans in the PRC. The registered capital and total investment cost of the joint venture, BMW Brilliance, is Euro 150 million and Euro 450 million, respectively. At that time, the Company's effective interests in SJAI and BMW Brilliance were 81% and 40.50%, respectively. On 28th April, 2003, the Company increased its effective interests in SJAI from 81% to 89.10% and thereby increased its effective interests in BMW Brilliance from 40.50% to 44.55%. On 16th December, 2003, the Company further increased its effective interests in SJAI from 89.10% to 99% and thereby increased its effective interests in BMW Brilliance from 44.55% to 49.50%. Subsequently on 26th January, 2010, the Company entered into an agreement to increase its effective interests in SJAI from 99% to 100%. As a result, the Company's effective interests in BMW Brilliance was increased to 50%. The locally produced BMW sedans were formally launched in the PRC in the fourth quarter of 2003. BMW Brilliance commenced production and sale of BMW SUVs in the PRC in early 2012.

In June 2003, the Company established Shenyang ChenFa Automobile Component Co., Ltd. ("**Shenyang ChenFa**"), a wholly foreign-owned enterprise in the PRC, for the development, manufacture and sale of engine components in China. In December 2011, the Company completed the disposal of 75% equity interests in Shenyang ChenFa to an independent third party. Currently, Shenyang ChenFa is directly held as to 25% by the Company.

On 29th December, 2003, the Company entered into agreements in relation to the proposed acquisition of an indirect 40.1% interest in JinBei, the joint venture partner of Shenyang Automotive and a supplier of automotive components for the Group's minibuses. JinBei is an A-share company listed on the Shanghai Stock Exchange. As a result of JinBei's share reform, which took place in August 2006, all issued shares of JinBei were converted into tradable shares on the Shanghai Stock Exchange. The Company's prospective 40.10% interest in JinBei was reduced to 33.35%.

On 16th April, 2004, Shanghai Hidea Auto Design Co., Ltd. ("**Shanghai Hidea**") was established for the design of automobiles. Currently, Shanghai Hidea is indirectly beneficially owned as to 70.68% by the Company.

On 13th December, 2004, the Company, together with Shenyang Automotive, established Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Shenyang Brilliance Power**") which principally engages in the manufacture and sale of power trains in China. In October 2009, Shenyang Automotive agreed to transfer its entire interests in Shenyang Brilliance Power to Huachen. As a result, the Company's beneficially interests in Shenyang Brilliance Power decreased from 75.01% to 49%.

On 28th October, 2009, Shenyang Automotive entered into a business transfer agreement with Huachen pursuant to which Huachen agreed to acquire from Shenyang Automotive certain assets, liabilities, employees and business contracts in relation to the businesses of manufacture and sale of Zhonghua sedans operated by Shenyang Automotive. Completion of the disposal of the Zhonghua sedan business took place on 31st December, 2009. Subsequent to the completion of the disposal, the Group no longer has any interests in the Zhonghua sedan business. Starting from January 2010, the operating business of the Group is the manufacture and sale of minibuses and automotive components through its subsidiaries, and the manufacture and sale of BMW vehicles through its major joint venture, BMW Brilliance, in the PRC.

On 15th April, 2011, Shenyang XinJinBei Investment and Development Co., Ltd., ("**SXID**") an indirectly wholly-owned subsidiary of the Company, entered into a share transfer agreement with an independent third party to acquire 9.9% equity interest in Shenyang Automotive. Upon completion of the acquisition in July 2011, the Company's effective interests in Shenyang Automotive was increased from 51% to 60.90%. In June 2014, SXID merged with SJAI. Subsequent to the merger, the above 9.9% equity interest in Shenyang Automotive is held by the Group through SJAI.

Mianyang Xinchen was formerly a Sino-foreign equity joint venture in the PRC owned as to 50% by each of Southern State Investment Limited, a wholly owned subsidiary of the Company, and Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited. Subsequent to the completion of group restructuring in August 2011 and pre-IPO investment in October 2011 and immediately before the global offering which took place in March 2013, Mianyang Xinchen was indirectly held as to 100% by Power Xinchen which was in turn indirectly held as to 42.544% by the Company. On 13th March 2013, the shares of Power Xinchen were listed on the main board of the Stock Exchange with 313,400,000 new shares subscribed by the public at an offer price of HK$2.23 per share. Following the listing of Power Xinchen in March 2013 and the partial exercise of an over-allotment option to issue an addition 33,808,000 shares of Power Xinchen in April 2013, the indirect shareholding of the Company in Power Xinchen decreased from 42.544% to 31.070%.

TURNOVER AND CONTRIBUTION

The Group's turnover and contribution to profit from operations for the year ended 31st December, 2014, analysed by product category, are as follows:

	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**

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2014 are set out in the financial statements of the Group on pages 43 and 44.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31st December, 2014 is set out and analysed in the consolidated statement of cash flows on page 49 and in note 35 to the financial statements.

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**"). Notice of the 2015 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2015 AGM and the proxy form are also available on the website of the Company.

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 period 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 3.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31st December, 2014 are set out in note 33 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31st December, 2014 are set out in note 14 to the financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Particulars of the subsidiaries, joint ventures and associates are set out in notes 16, 17 and 18, respectively to the financial statements.

SHARE CAPITAL

Details of the Company's share capital as of 31st December, 2014 are set out in note 32(a) to the financial statements.

SHARE OPTIONS

At a special general meeting held on 11th November, 2008, shareholders of the Company adopted a share option scheme (the "**Share Option Scheme**"). The Share Option Scheme came into effect on 14th November, 2008.

Pursuant to the Share Option Scheme, the directors of the Company may, at their absolute discretion, invite the following persons to take up options to subscribe for ordinary shares with a par value of US$0.01 each (the "**Shares**") of the Company: (a) any eligible employee as defined in the Share Option Scheme; (b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any entity in which the Group holds any equity interest (the "**Invested Entity**"); (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (g) any other group or classes of participants from time to time determined by the directors of the Company as having contributed or may contribute to the development and growth of the Group and any Invested Entity.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme (i.e. 366,976,590 Shares, representing 7.30% of the total number of Shares in issue as at the date of this annual report).

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share in respect of any option granted under the Share Option Scheme shall be a price determined by the directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share of the Company.

The Share Option Scheme will remain in force for a period of 10 years from 14th November, 2008. The period during which an option may be exercised will be determined by the directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

A summary of movements of the share options of the Company under the Share Option Scheme during the year ended 31st December, 2014 is set out below:

		Number of share options							
Category and name of participants	**Date of grant**	**Outstanding as at 1st January, 2014**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31st December, 2014**	**Option period**	**Subscription price per Share** (HK$)
Directors									
Mr. Qi Yumin	22nd December, 2008 *(Note)*	4,500,000	–	–	–	–	4,500,000	22nd December, 2008 – 21st December, 2018	0.438
Mr. Wang Shiping	22nd December, 2008 *(Note)*	1,500,000	–	–	–	–	1,500,000	22nd December, 2008 – 21st December, 2018	0.438
Mr. Lei Xiaoyang	22nd December, 2008 *(Note)*	1,500,000	–	–	–	–	1,500,000	22nd December, 2008 – 21st December, 2018	0.438
Employees (in aggregate)	22nd December, 2008 *(Note)*	12,000,000	–	–	–	–	12,000,000	22nd December, 2008 – 21st December, 2018	0.438
Others (in aggregate)	22nd December, 2008 *(Note)*	1,500,000	–	–	–	–	1,500,000	22nd December, 2008 – 21st December, 2018	0.438
Total		21,000,000	–	–	–	–	21,000,000		

Note: The share options were granted on 22nd December, 2008 and vested immediately upon the grant and are exercisable within a period of 10 years. The closing price of the Shares immediately before the date on which the share options were granted is HK$0.445 per Share.

As no share options have been granted by the Company under the Share Option Scheme for the year ended 31st December, 2014, no expenses were recognised by the Group for 2014 (2013: Nil).

DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2014 and up to the date of this annual report are:

Executive directors:

Mr. Wu Xiao An *(chairman of the Board)*
Mr. Qi Yumin *(chief executive officer)*
Mr. Wang Shiping
Mr. Tan Chengxu

Non-executive director:

Mr. Lei Xiaoyang

Independent non-executive directors:

Mr. Xu Bingjin
Mr. Song Jian
Mr. Jiang Bo

Pursuant to bye-law 99 and the code provision A.4.2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), Mr. Wu Xiao An, Mr. Qi Yumin and Mr. Xu Bingjin will retire by rotation at the 2015 AGM.

Pursuant to code provision A.4.3 of Appendix 14 to the Listing Rules, if an independent non-executive director serves more than 9 years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Xu Bingjin was first appointed as our independent non-executive director on 27th June, 2003 and his further appointment was approved by our shareholders on 18th May, 2012. At the 2015 AGM, a separate resolution will be submitted to seek shareholders' approval to retain Mr. Xu Bingjin as our independent non-executive director. The reasons why the Board considers Mr. Xu Bingjin as independent and why he should be re-elected are included in the circular sent to the shareholders of the Company together with this annual report.

Each of Mr. Wu Xiao An, Mr. Qi Yumin and Mr. Xu Bingjin, being eligible, will offer himself for re-election and the Board has recommended them for election at the 2015 AGM.

Biographical details of the directors standing for re-election at the 2015 AGM are set out in the circular sent to the shareholders of the Company together with this annual report.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2014 interim report is set out below:

(1) Mr. Wu Xiao An ceased to be a director of SXID, formerly an indirectly wholly-owned subsidiary of the Company, following the dissolution of SXID upon its merger with SJAI, an indirectly wholly-owned subsidiary of the Company, on 9th June, 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December, 2014, so far as is known to the directors or chief executives of the Company, the following persons other than a director or chief executive of the Company had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "**SFO**"):

	Number and class of Shares held/ Approximate shareholding percentage *(Note 1)*					
Name of Shareholders	**Long Position**	**%**	**Short Position**	**%**	**Lending Pool**	**%**
Huachen *(Note 2)*	2,135,074,988 ordinary	42.48	–	–	–	–
Templeton Asset Management Ltd. *(Note 3)*	895,901,031 ordinary	17.82	–	–	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 5,025,769,388 Shares in issue as at 31st December, 2014.

2. The 2,135,074,988 Shares in long position were held in the capacity as beneficial owner.

3. The 895,901,031 Shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 31st December, 2014, there was no other person so far known to the directors or chief executives of the Company, other than a director or chief executive of the Company as having an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December, 2014, the interests and short positions of each director, chief executive and their respective associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, are set out below:

The Company

Name of directors	Type of interests	Number and class of shares held Long Position	 Short Position	Approximate shareholding percentage *(Note 1)*	Number of share options granted (Percentage of the Company's issued share capital) *(Note 2)*
Mr. Wu Xiao An	Personal	6,750,000 ordinary	–	0.13%	–
Mr. Qi Yumin	Personal	–	–	–	4,500,000 (0.08%) *(Note 3)*
Mr. Wang Shiping	Personal	–	–	–	1,500,000 (0.02%) *(Note 3)*
Mr. Lei Xiaoyang	Personal	300,000 ordinary	–	0.005%	1,500,000 (0.02%) *(Note 3)*

Notes:

1. The percentage of shareholding is calculated on the basis of 5,025,769,388 Shares in issue as at 31st December, 2014.

2. The percentage represents the number of Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to the share options granted by the Company based on the 5,025,769,388 Shares in issue as at 31st December, 2014.

3. These share options are exercisable at any time during the 10-year period from 22nd December, 2008 at the subscription price of HK$0.438 per Share.

Associated Corporations of the Company

Name of director	Name of associated corporation	Type of interests	Number and class of shares held: Long Position	Number and class of shares held: Short Position	Approximate shareholding percentage *(Note 1)*
Mr. Wu Xiao An	Power Xinchen	Trustee and interest in a controlled corporation *(Note 2)*	48,382,386 ordinary	–	3.75%
		Beneficial interest (in the fixed trust) *(Note 3)*	1,664,009 ordinary	–	0.12%
		Beneficial interest (in shares) *(Note 4)*	6,656,032 ordinary	–	0.51%

Notes:

1. The percentage of shareholding is calculated on the basis of 1,287,407,794 shares in issue of Power Xinchen as at 31st December, 2014.

2. As at 31st December, 2014, Power Xinchen was indirectly held as to 31.07% by the Company. The 48,382,386 shares in long position are interests of a fixed trust and a discretionary trust under an incentive scheme of Power Xinchen. These two trusts altogether held 48,382,386 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trusts. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the two trusts. Accordingly, Mr. Wu was deemed or taken to be interested in the 48,382,386 shares of Power Xinchen, representing approximately 3.75% of its issued share capital as at 31st December, 2014.

3. Mr. Wu Xiao An was a beneficial owner of 1,664,009 shares of Power Xinchen, representing approximately 0.12% of its issued share capital as at 31st December, 2014, held under the fixed trust referred to in note (2) above.

4. Mr. Wu Xiao An held 6,656,032 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.51% of its issued share capital as at 31st December, 2014.

Save as disclosed above, as at 31st December, 2014, none of the directors, chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31st December, 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or associates was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Xiao An and Mr. Qi Yumin, both of whom are executive directors of the Company, has entered into a service agreement with the Company dated 1st January, 2015 for a term of three years commencing from 1st January, 2015.

Saved as disclosed herein, no director of the Company proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with members of the Group that is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

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.

ANALYSIS OF INTEREST CAPITALISED

Details of interest capitalised are set out in note 6 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In 2014, the aggregate sales attributable to the Group's five largest customers, excluding the Group's associates and joint ventures, represented approximately 62.62% of the Group's total turnover while the sales attributable to the Group's largest customer represented approximately 45.05% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers, excluding the Group's associates and joint ventures, during the year represented approximately 23.82% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 9.69% of the Group's total purchases.

None of the directors, their associates or any shareholders that, to the knowledge of the directors is interested in more than 5% of the Company's issued share capital, has any interests in the share capital of any of the above five largest customers or suppliers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this annual report, the Company maintains the prescribed percentage of public float under the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

In 2014, the Group entered into certain related party transactions which also constitute connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules. The connected transactions and continuing connected transactions during the year that are not exempt from the annual reporting requirement in Chapter 14A of the Listing Rules are listed below and these transactions are, among others, also set out in note 34(a) to the financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Announcements have been made on these connected transactions and continuing connected transactions and the relevant shareholders' approvals have been obtained, if necessary.

Connected Transactions for 2014

– *The 2014 Cross Guarantee*

On 17th December, 2013, Xing Yuan Dong, a wholly-owned subsidiary of the Company, and 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 for a term of one year commencing from 1st January, 2014 to 31st December, 2014 (the "**2014 Cross Guarantee**"). At the time of entering into the agreement, JinBei was interested in 39.1% of equity interests in Shenyang Automotive. Shenyang Automotive was then owned as to 60.9% by the Company. As a substantial shareholder of a subsidiary of the Company, JinBei is considered as a connected person of the Company under the Listing Rules. The 2014 Cross Guarantee constituted a connected transaction for the Company under the Listing Rules. It is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the 2014 Cross Guarantee are set out in the announcement of the Company dated 17th December, 2013. The 2014 Cross Guarantee is not a notifiable transaction under Chapter 14 of the Listing Rules.

As at 31st December, 2014, Xing Yuan Dong provided a guarantee in respect of JinBei's banking facilities in the amount of approximately RMB586.5 million.

Continuing Connected Transactions for 2014

– *Continuing Connected Transactions*

Currently, the Group is engaged in the manufacture and sale of BMW vehicles in the PRC through its major joint venture, BMW Brilliance, and manufacture and sale of minibuses and automotive components through its subsidiaries.

On 11th November, 2011,

(a) certain members of the Group entered into framework agreements relating to the purchases/sale of materials and automotive components from/to JinBei and its subsidiaries and associated companies (other than Shenyang Automotive) (altogether the "**JinBei Group**"), and the purchases/sale of materials and automotive components from/to Huachen and its subsidiaries and associated companies (altogether the "**Huachen Group**") for a period of three financial years ended 31st December, 2014;

(b) Shenyang Automotive and Huachen entered into a lease agreement in relation to the lease of composite office building and workshops with a total area of approximately 42,200 sq.m. by Shenyang Automotive from Huachen for a period of three financial years ended 31st December, 2014 at a rental price of approximately RMB5 million per annum, which is determined by reference to rental for premises of similar usage within the proximity; and

(c) the Company and Huachen entered into a comprehensive service agreement in relation to the provision/purchase of services by the Group to/from the Huachen Group for a period of three financial years ended 31st December, 2014. Services provided by members of the Group mainly include manual labour, design and technical support while services provided by members of the Huachen Group mainly include research and development support, and information technology support.

The framework agreements and the comprehensive service agreement only set out the overriding and major terms of the transactions carried out by relevant parties. Details of the terms and conditions (including payment mode and payment terms) for the transactions contemplated under the framework agreements are dealt with in the purchase orders placed by the relevant purchaser, which are in line with the company policies adopted by the relevant vendor from time to time and may be varied in accordance with the prevailing market situation. The scope and fees for services provided or purchased by members of the Group pursuant to the comprehensive service agreement are agreed by the relevant parties with reference to the pricing policies of the relevant service provider and the prevailing market condition. All the payments under the framework agreements, the comprehensive service agreement and the lease agreement are settled in cash or note payable with credit terms ranging from 30 to 90 days, which is the usual credit term policy adopted by the Group.

At the time of entering into the aforementioned agreements, JinBei owned 39.1% of the equity interests of Shenyang Automotive, a 60.9% owned subsidiary of the Company. As a substantial shareholder of a subsidiary of the Company, JinBei is considered as a connected person of the Company under the Listing Rules. Therefore, transactions between members of the Group (including Shenyang Automotive) on one part and members of the JinBei Group (other than Shenyang Automotive) on the other part constitute connected transactions under the Listing Rules.

At the time of entering into of the aforementioned agreements, Huachen was interested in approximately 45.20% of the issued share capital of the Company. As a substantial shareholder of the Company, Huachen is regarded as a connected person of the Company under the Listing Rules. Transactions between the Group and the Huachen Group constitute connected transactions under the Listing Rules.

The purchases of materials and automotive components from the JinBei Group, the sale of materials and automotive components to the Huachen Group, and the purchases of materials and automotive components from the Huachen Group are subject to the reporting, announcement and independent shareholders' approval requirements as set out in the Listing Rules. At a special general meeting held on 20th December, 2011, independent shareholders of the Company approved these transactions and the relevant proposed caps for a period of three financial years ended 31st December, 2014.

The provision of services to/by the Huachen Group is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules.

The sale of materials and automotive components to the JinBei Group and the leasing of premises from Huachen are de minimus transactions and are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules (the "**Exempted Transactions**").

Details of the aforementioned transactions are set out in the circular of the Company dated 2nd December, 2011.

Subsequently at a special general meeting held on 21st December, 2012, the independent shareholders of the Company approved the increase in the type of products or services and also the annual caps for transactions C7 and F2 (as stated below) for a period of two financial years ended 31st December, 2014. Details are set out in the circular of the Company dated 29th November, 2012.

The actual monetary value of the above continuing connected transactions except for the Exempted Transactions which are not subject to the reporting, annual review, announcement and independent shareholders' approval requirements (the "**Continuing Connected Transactions**") for the financial year ended 31st December, 2014 is set out below (the transactions are numbered in the same order as they appear in the circular dated 2nd December, 2011).

Continuing Connected Transactions		**Major type of products**	**Actual monetary value for the financial year ended 31st December, 2014 RMB'000**
A.	**Purchases of materials and automotive components by members of the Group (including Shenyang Automotive) from members of the JinBei Group**		
A1.	Purchases of materials and automotive components by Shenyang Automotive	Seats, driving shafts and sealing bars	497,341
A2.	Purchases of materials and automotive components by Xing Yuan Dong	Gear box assemblies, seats, steering gear rods and interior trim parts	22,460
A3.	Purchases of materials and automotive components by Dongxing Automotive	Main decelerators, foot pedal covers and fixing brace rubber covers	61
C.	**Sale of automobiles, materials and/or automotive components by members of the Group to members of the Huachen Group**		
C1.	Sale of materials and automotive components by Xing Yuan Dong	Carpets, headliners, anti-freezing fluid and door panels	50,324
C2.	Sale of materials and automotive components by Dongxing Automotive	Press parts, welding parts and complete outsourced parts	104,982
C3.	Sale of materials and automotive components by Shenyang Jindong	Matching components	20,639
C4.	Sale of materials and automotive components by Mianyang Ruian	Camshafts and caps	419
C5.	Sale of materials and automotive components by Ningbo Yuming	Sealing bars, decorating bars, side triangle window assemblies and sun roof assemblies	29,993
C6.	Sale of materials and automotive components by Ningbo Ruixing	Rear view mirrors	33
C7.	Sale of materials, automotive components and automobiles by Shenyang Automotive	Engines, engine components, interior trim parts and automobiles	328,933
C8.	Sale of materials and automotive components by Shanghai Hidea	DVD mainframe assemblies, wheel hubs and genuine leather seats	3

Continuing Connected Transactions		Major type of products	Actual monetary value for the financial year ended 31st December, 2014 RMB'000
D.	**Purchases of materials and automotive components by members of the Group from members of the Huachen Group**		
D1.	Purchase of materials and automotive components by Dongxing Automotive	Steels and assemblies	46,904
D2.	Purchase of materials and automotive components by Shenyang Automotive	Power trains and press parts	387,918
D3.	Purchase of materials and automotive components by Shanghai Hidea	Components	–
D4.	Purchase of materials and automotive components by Shenyang Jindong	Scrap materials	93,373
F.	**Comprehensive service agreement**		
F1.	Provision of services by members of the Group to members of the Huachen Group		25,254
F2.	Purchase of services by members of the Group from members of the Huachen Group		94,426

The independent non-executive directors of the Company have reviewed and confirmed that the Continuing Connected Transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors were engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Subsequent events

– *Continuing Connected Transactions for 2015 to 2017*

On 12th November, 2014, the Group has entered into certain framework agreements and/or a comprehensive service agreement with the JinBei Group and the Huachen Group for the purchases/sale of automobiles, materials and/or automotive components from/to the JinBei Group and the Huachen Group and the provision of services to/by the Huachen Group for a period of three financial years commencing from 1st January, 2015 to 31st December, 2017. At the time of entering into of the agreements, JinBei owned 39.1% of the equity interests of Shenyang Automotive, which was in turn owned as to 60.9% by the Company. Huachen was interested in 42.48% of the entire issued share capital of the Company. Accordingly, each of JinBei and Huachen is considered as a connected person of the Company and such transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of these transactions are set out in an announcement of the Company dated 12th November, 2014 or the circular of the Company dated 10th December, 2014.

Among these transactions, the purchases of materials and automotive components from the Huachen Group; and the sale of automobiles, materials and automotive components to the Huachen Group are subject to the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. At a special general meeting held on 29th December, 2014 (the "**2014 SGM**"), the independent shareholders of the Company approved these transactions and the relevant annual caps for a period of three financial years ending 31st December, 2017.

The provision of services to/by the Huachen Group are de minimus transactions exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules. Since JinBei is considered as a connected person of the Company at the subsidiary level, the purchases of materials and automotive components from the JinBei Group are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.101 of the Listing Rules.

– *The 2015 Cross Guarantee*

On 12th November, 2014, an agreement was entered into between Xing Yuan Dong and JinBei, pursuant to which Xing Yuan Dong and JinBei (and its subsidiaries) agreed to provide cross guarantees to each other's banking facilities in the maximum amount of RMB600 million incurred or to be incurred during their respective usual course of business for a period of one financial year commencing from 1st January, 2015 to 31st December, 2015 (the "**2015 Cross Guarantee**"). The 2015 Cross Guarantee constitutes a connected transaction for the Company subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the 2015 Cross Guarantee are set out in the announcement of the Company dated 12th November, 2014. The 2015 Cross Guarantee is not a notifiable transaction under Chapter 14 of the Listing Rules.

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are disclosed in note 34 to the financial statements of this annual report.

Save as disclosed above, in the opinion of the directors, the transactions disclosed as related party transactions in note 34 to the financial statements do not constitute connected transactions or continuing connected transactions as defined under the Listing Rules in force at the time of the entering into of the relevant transactions.

AUDITORS

Grant Thornton Hong Kong Limited will retire at the conclusion of the 2015 AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the 2015 AGM to seek shareholders' approval on the appointment of Grant Thornton Hong Kong Limited as our auditors until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

By order of the Board

Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong,
26th March, 2015

Corporate Governance Report

CORPORATE GOVERNANCE

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" (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

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.

A. DIRECTORS

A.1 The Board

We are governed by the Board which assumes the responsibility for leadership and control of the Company. Our directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual and interim reports and other financial disclosures as required under the Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals that require shareholders' notification or approval under the Listing Rules.

Daily management and administration functions are delegated to the management. The responsibilities and matters specifically reserved to the Board are set out in paragraph D below.

The Board meets regularly, normally four times each year at approximately three-month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all directors at the beginning of the year to provide early notice to all directors so that they could grasp every opportunity to attend. Special Board meetings will be held when necessary. Matters on transactions where directors are considered having a material conflict of interest would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive directors who have no material interests should be present. Directors having a conflict of interest or material interests in a transaction will, before the meeting of the Board, declare his interest(s) therein in accordance with the bye-laws of the Company, and shall abstain from voting on the resolution(s) and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the directors for attending regular Board meetings fourteen (14) days before such meetings. For other Board meetings, reasonable notices are generally given.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the directors attending. The company secretary assists the chairman in preparing the meeting agenda and, during which, the directors are consulted for matters to be included in the agenda for all regular meetings of the Board. Each director may also request the inclusion of items in the meeting agenda.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all directors for their review and comments before being approved by the directors attending the relevant meetings. All the minutes of the Board meetings are properly kept by the company secretary and are available for inspection by the directors during normal office hours.

Participation of individual directors at Board meetings in 2014 is as follows:

Number of meetings		**6**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	6/6	100%
Mr. Qi Yumin	5/6	83.3%
Mr. Wang Shiping	6/6	100%
Mr. Tan Chengxu	6/6	100%
Non-executive director:		
Mr. Lei Xiaoyang	5/6	83.3%
Independent non-executive directors:		
Mr. Xu Bingjin	6/6	100%
Mr. Song Jian	6/6	100%
Mr. Jiang Bo	6/6	100%
Average attendance rate		95.83%

During 2014, apart from the six (6) meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues.

Participation of individual directors at the general meetings in 2014 is as follows:

Number of meetings		**2**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	2/2	100%
Mr. Qi Yumin	2/2	100%
Mr. Wang Shiping	2/2	100%
Mr. Tan Chengxu	2/2	100%
Non-executive director:		
Mr. Lei Xiaoyang	1/2	50%
Independent non-executive directors:		
Mr. Xu Bingjin	2/2	100%
Mr. Song Jian	2/2	100%
Mr. Jiang Bo	2/2	100%
Average attendance rate		93.75%

The Company believes it has taken out appropriate insurance cover for its directors and officers in respect of legal actions taken against directors and officers. The Company reviews the extent of the insurance coverage every year and is satisfied with the insurance coverage for year 2014.

A.2 Chairman and chief executive officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company has segregated the roles of chairman of the Board and chief executive officer. Mr. Wu Xiao An is the chairman of the Board and Mr. Qi Yumin is the chief executive officer. On 20th June, 2005, the Board first adopted a set of clear guidelines regarding the powers and duties of each of the chairman and the chief executive officer, which guidelines were revised on 28th March, 2012 and were further revised with effect from 27th March, 2013 after a regular review by the Board.

One (1) meeting was held by the chairman of the Board with the non-executive directors (including the independent non-executive directors) without the executive directors present in 2014 in compliance with code provision A.2.7 of the CG Code. This provides an additional platform for direct communication of the non-executive directors (including the independent non-executive directors) with the chairman of the Board without the presence of the executive directors.

A.3 Board composition

Currently, the Board comprises eight directors: four executive directors, one non-executive director and three independent non-executive directors. The current composition of the Board is as follows:

	Membership of Board Committee(s)
Executive directors:	
Mr. Wu Xiao An *(chairman of the Board)*	Member of the remuneration committee Member of the nomination committee
Mr. Qi Yumin *(chief executive officer)*	Member of the remuneration committee Member of the nomination committee
Mr. Wang Shiping	–
Mr. Tan Chengxu	–
Non-executive director:	
Mr. Lei Xiaoyang	–
Independent non-executive directors:	
Mr. Xu Bingjin	Chairman of the audit committee Chairman of the remuneration committee Chairman of the nomination committee
Mr. Song Jian	Member of the audit committee Member of the remuneration committee Member of the nomination committee
Mr. Jiang Bo	Member of the audit committee Member of the remuneration committee Member of the nomination committee

Under the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. And, with effect from 31st December, 2012, every listed issuer is required by the Listing Rules to have such number of independent non-executive directors representing at least one-third of the Board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Throughout the year 2014, the number of independent non-executive directors has fulfilled the minimum requirement of the Listing Rules. Mr. Jiang Bo is a certified public accountant and a certified public valuer in the PRC. Mr. Jiang has approximately 21 years of experience in auditing financial statements of companies listed on the stock exchanges of the PRC, has participated in various listing projects of state-owned enterprises in the PRC and overseas, and has experience in reviewing and analyzing the audited financial statements of companies listed in the PRC.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The nomination committee has assessed the independence of all the independent non-executive directors and the Board is satisfied with their independence.

The Board members do not have any family, financial, business or other material/relevant relations with each other.

The biographies of our directors are set out on pages 8 and 9 of this annual report.

The list of directors has been published on the website of the Company and that of the Stock Exchange, and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

A.4 Appointment, re-election and removal of directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to bye-law 102 of the Company, a director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting while a director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting.

The Company had signed a formal letter of appointment or service agreement with each director (including independent non-executive directors) and whose appointment was for a specific term of three (3) years subject to the retirement by rotation provisions in the bye-laws of the Company. 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 according to bye-law 99 of the Company. All directors of the Company are subject to the retirement by rotation provision in the bye-laws of the Company and are subject to the retirement by rotation at least once every three years pursuant to code provision A.4.2.

To comply with code provision A.4.2 and in accordance with bye-law 99, Mr. Wu Xiao An, Mr. Qi Yumin and Mr. Xu Bingjin will retire by rotation at the 2015 AGM and have offered themselves for re-election at the 2015 AGM.

Pursuant to code provision A.4.3, serving more than nine (9) years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than nine (9) years, his/her further appointment will be subject to a separate resolution to be approved by shareholders.

Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo were first appointed as the independent non-executive directors of the Company on 27th June, 2003, 17th September, 2004 and 27th September, 2004, respectively. All of them have continuously served as our independent non-executive directors for more than nine (9) years. The further appointment of each of them as our independent non-executive directors has been approved by our shareholders at the general meeting held on 18th May, 2012, 30th May, 2014 and 30th May, 2014, respectively.

At the 2015 AGM, a separate resolution will be proposed for the re-election of Mr. Xu Bingjin as our independent non-executive director according to the rotation provision of the bye-laws of the Company. The nomination committee had reviewed and assessed the independence of Mr. Xu Bingjin pursuant to code provision A.5.2(c) and was satisfied that further appointment of Mr. Xu as an independent non-executive director is justified.

A.5 Responsibilities of directors

Each newly appointed director is provided with a package of orientation materials setting out the required duties and responsibilities of directors under the Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a director's duties and obligations under the Listing Rules and relevant legislations will be arranged for all newly appointed directors. Our directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our directors will also be updated from time to time on the business development and operation plans of the Company.

In compliance with code provision A.6.5, the Company has arranged for, and provided fund for, all the directors of the Company to participate in continuous professional development organized in the form of in-house training, seminars or other appropriate courses to keep them abreast of their knowledge, skill and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. As part of the continuous professional development program, the Company has also updated the directors of any material changes in the Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarizing the duties and responsibilities in acting as directors from time to time to keep the directors abreast of such duties and responsibilities.

In addition to directors' attendance at meetings and review of papers and circulars distributed by management during 2014, each director has participated in the continuing professional development arranged and funded by the Company as follows:–

Name of directors	Reading regulatory updates	Attending in-house seminars
Mr. Wu Xiao An	√	√
Mr. Qi Yumin	√	√
Mr. Wang Shiping	√	√
Mr. Tan Chengxu	√	√
Mr. Lei Xiaoyang	√	√
Mr. Xu Bingjin	√	√
Mr. Song Jian	√	√
Mr. Jiang Bo	√	√

The functions of non-executive directors include the functions as specified in code provision A.6.2(a) to (d) of the CG Code.

All independent non-executive directors and the non-executive director have attended the annual general meeting held on 30th May, 2014 (the "**2014 AGM**") in person or by way of telephone conference as required by code provision A.6.7 of the CG Code.

The Company has adopted the standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules, in relation to the dealings in securities of the Company by the directors.

Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standard set out in the Model Code during the year ended 31st December, 2014.

The Company has also established on 17th June, 2005 written guidelines on no less exacting terms than the Model Code (the "**Code for Securities Transactions by Employees**") for securities transactions by employees of the Company or directors or employees of its subsidiaries and its holding company, who because of such office or employment, are likely to be in possession of unpublished inside information of the Group or the securities of the Company. The guidelines were revised in 2009 to incorporate amendments to the Model Code which came into effect on 1st April, 2009. Slight amendments have also been made to the guidelines on 28th March, 2012 and 27th March, 2013, respectively to keep the guidelines in line with the current practices of the Company and the statutory requirements.

No incident of non-compliance of the Code for Securities Transactions by Employees by the employees during the year was noted by the Company.

A.6 Directors' commitments

The Company has signed a formal letter of appointment or service agreement setting out the key terms and conditions of the directors' appointments. All directors are committed to devote sufficient time and attention to the affairs of the Group. The directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. The directors are reminded to notify the Company in a timely manner and at least bi-annually to confirm to the Company of any changes of such information. With respect to those directors who stand for re-election at the 2015 AGM, all of their directorships held in listed public companies in the past three years are also set out in the document accompanying the notice of the 2015 AGM.

A.7 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner as permitted under the circumstances. Notices are given to all the directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each director have separate and independent access to the Group's senior management.

All directors are entitled to have access to board papers, minutes and related materials.

B. BOARD COMMITTEES

B.1 Nomination committee

The Board follows a formal and transparent procedure for the appointment of new directors to the Board. The appointment of a new director is a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as directors must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director must also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The nomination committee was established on 28th March, 2012 with specific written terms of reference (as amended with effect from 27th March, 2013 for incorporation of certain amendments to the CG Code effective in September 2013). Terms of reference of the nomination committee have included the duties set out in code provision A.5.2(a) to (d) of the CG Code. The existing members of the nomination committee include Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Wu Xiao An and Mr. Qi Yumin, both of whom are executive directors, are also members of the nomination committee. Mr. Xu Bingjin is the chairman of the nomination committee.

During 2014, the nomination committee met on two (2) occasions and discharged its responsibilities. Attendance of individual members at nomination committee meetings in 2014 is as follows:

Number of meetings	**2**
Mr. Xu Bingjin *(chairman of the nomination committee)*	2/2 (100%)
Mr. Song Jian	2/2 (100%)
Mr. Jiang Bo	2/2 (100%)
Mr. Wu Xiao An	2/2 (100%)
Mr. Qi Yumin	1/2 (50%)
Average attendance rate	90%

The nomination committee is responsible for reviewing the Board's composition and diversity, 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, experience and diversity of perspectives appropriate to the requirements of the Company's business and for formulating succession plans for executive directors and senior executives. The nomination committee is also authorised to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the nomination committee for performance of its duties.

The Company adopted a board diversity policy on 13th August, 2013. The Company recognizes and embraces the benefits of diversity in Board members and a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee will review annually on the composition of the Board under diversified perspectives, and monitor the implementation of the board diversity policy to ensure the effectiveness of the policy. It will also review the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The work performed by the nomination committee during 2014 included:

- making recommendation on re-election of directors at the 2014 AGM;
- assessing the independence of the independent non-executive directors;
- reviewing the current Board's structure and size;
- reviewing the current Board's composition in terms of the current requirements of the Listing Rules on the number of independent non-executive directors and requisite qualification and expertise under Rule 3.10(2) of the Listing Rules;
- reviewing and discussing the current Board's composition in terms of age, gender, academic background, qualifications, knowledge, skill, professional experience and working experience; and
- reviewing the terms of reference of the nomination committee and the board diversity policy.

Full minutes of the nomination committee meetings are kept by the company secretary. Draft and final versions of the minutes of the nomination committee meetings are sent to all members of the nomination committee for comments and approval and all decisions and recommendations of the nomination committee are reported to the Board.

The terms of reference of the nomination committee are available on the website of the Company and the website of the Stock Exchange.

B.2 Remuneration committee

The remuneration committee was established on 17th June, 2005 with specific written terms of reference (as amended with effect from 28th March, 2012 and 27th March, 2013, respectively for incorporation of certain amendments after a regular review by the Board). The existing members of the remuneration committee include Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Wu Xiao An and Mr. Qi Yumin, both of whom are executive directors, are also members of the remuneration committee. Mr. Xu Bingjin is the chairman of the remuneration committee. The terms of reference of the remuneration committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

During 2014, the remuneration committee met on one (1) occasion and discharged its responsibilities. Attendance of individual members at remuneration committee meeting in 2014 is as follows:

Number of meeting	**1**
Mr. Xu Bingjin *(chairman of the remuneration committee)*	1/1 (100%)
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Qi Yumin	1/1 (100%)
Average attendance rate	100%

The remuneration committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration of directors and senior management and approving the remuneration package of the individual executive directors. The remuneration committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive directors and other persons to attend its meetings. The remuneration committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary, and the Company will provide sufficient resources to the remuneration committee for performance of its duties.

The work performed by the remuneration committee during 2014 included:

– reviewing the terms of reference of the remuneration committee and the "Policy and Guidelines of The Remuneration Committee";

– reviewing the remuneration package of the individual directors and the senior management of the Company; and

– considering and approving renewal of the directors' service agreements entered into between the Company and two executive directors for a term of three years commencing from 1st January, 2015.

During the process of consideration, no individual director will be involved in decisions relating to his own remuneration.

Full minutes of the remuneration committee meetings are kept by the company secretary. Draft and final versions of the minutes of the remuneration committee meetings are sent to all members of the remuneration committee for comments and approval and all decisions and recommendations of the remuneration committee are reported to the Board.

The terms of reference of the remuneration committee are available on the website of the Company and the website of the Stock Exchange.

B.3 Audit committee

The audit committee was established on 20th December, 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. On 27th March, 2013, a revised terms of reference of the audit committee was adopted for incorporation of certain amendments after a regular review by the Board. The terms of reference of the audit committee have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. The existing members of the audit committee comprise 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. The audit committee does not have a former partner of the Group's existing audit firm as its member. The Company has adopted policy for hiring of employees and former employees of its external auditors on 28th March, 2012 to ensure judgment or independence for the audit of the Group will not be impaired.

During 2014, the audit committee met on two (2) occasions and discharged its responsibilities. Attendance of individual members at audit committee meetings in 2014 is as follows:

Number of meetings	**2**
Mr. Xu Bingjin *(chairman of the audit committee)*	2/2 (100%)
Mr. Song Jian	2/2 (100%)
Mr. Jiang Bo	2/2 (100%)
Average attendance rate	100%

The principal duties of the audit committee included reviewing the Company's financial controls, internal control and risk management system, annual report, accounts and semi-annual report. The audit committee is also authorised to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the audit committee for performance of its duties.

The following is a summary of the work performed by the audit committee during 2014:

- reviewing the auditor's management letter and management's response;
- noting the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;
- reviewing the audited financial statements and final results announcement for the year ended 31st December, 2013;
- reviewing the interim report and the interim results announcement for the six months ended 30th June, 2014;
- meeting with the auditors to go through any significant audit issues or key findings noted during the audit of the Group's 2013 final results;
- meeting with the auditors to go through any significant key findings on the internal control and financial reporting matters based on the agreed-upon procedures performed for the Group's 2014 unaudited interim results;
- reviewing the hiring policies for employees and former employees of the external auditors;
- reviewing the continuing connected transactions and connected transactions for 2013; and
- making recommendations to the Board regarding the re-appointment of external auditors and the fixing of auditors' remuneration.

All issues raised by the audit committee have been addressed by the management. The work and findings of the audit committee have been reported to the Board. During 2014, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

In 2014, the audit committee has met with the auditors in the absence of management pursuant to code provision C.3.3 note (1)(iii) of the CG Code.

Full minutes of the audit committee meetings are kept by the company secretary. Draft and final versions of the minutes of the audit committee meetings are sent to all members of the audit committee for comments and approval and all decisions and recommendations of the audit committee are reported to the Board.

The terms of reference of the audit committee are available on the website of the Company and the website of the Stock Exchange.

This annual report has been reviewed by the audit committee.

B.4 Corporate governance function

The Company has adopted the terms of reference for the corporate governance function of the Board on 28th March, 2012 in compliance with code provision D.3 of the CG Code, effective from 1st April, 2012. Pursuant to the terms of reference of the corporate governance function, the Board shall be responsible for developing, reviewing and/or monitoring the policies and practices on corporate governance of the Company; training and continuous professional development of directors and senior management; and compliance with legal and regulatory requirements of the Company. This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2014, the directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– noted any changes in accounting policies and practices;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

Directors are provided with monthly updates of the Company pursuant to code provision C.1.2 of the CG Code.

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December, 2014.

Currently, the Company's external auditors are Grant Thornton Hong Kong Limited (the "**Auditors**").

For the year ended 31st December, 2014, the audit and non-audit service fees paid or payable by the Company amounted to approximately HK$1,880,000 and HK$400,000, respectively, The non-audit services mainly included conducting agreed-upon procedures on the 2014 interim consolidated financial statements.

The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 41 and 42 of this annual report.

C.2 Internal controls

The Board is entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the shareholders are well protected and covered. The system of internal controls covers the areas of financial, accounting, operational, compliance and risk management of the Group's business.

The Company has adopted an internal audit charter. The Group has conducted a general review of and has monitored the Group's internal management and operation during the year.

In addition, the Board and the audit committee have reviewed the effectiveness of the internal control systems on all major operations of the Group and noted that recommendations on certain areas of improvement identified in previous years have been properly followed up and implemented. The Board and the audit committee will try to improve the effectiveness of the internal control systems of the Group and to monitor the systems and the progress of improvements. The Board and the audit committee considered that the key areas of the Group's internal control systems are reasonably implemented and the Group has complied with the CG Code provisions regarding internal control system generally.

D. DELEGATION BY THE BOARD

Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. The Board has adopted a revised memorandum on the respective functions of the Board and the management on 27th March, 2013 after a regular review. The Board is entrusted with the following reserved powers:

1. *Business strategy*

   - approval of strategic objectives, annual plans and performance targets for the Group;
   - approval of proposals for expansion or closures other than those which have been specifically approved in the strategic objectives and/or annual plans of the Group;
   - approval of budgets; and
   - approval of performance indicators.

2. *Appointment*

   - appointment of any person as director to fill a casual vacancy or as an additional director;
   - appointment of the chairman and chief executive officer;
   - appointment of senior executives;
   - fixing of auditor's remuneration;
   - selection, appointment and dismissal of company secretary; and
   - formation of board committees and approval of the membership and terms of reference of the board committees.

3. *Board and senior management*

    - delegation of authority to the chairman, chief executive officer, management and board committee(s);
    - approval of remuneration and incentive policies;
    - approval of group benefit policies;
    - approval of remuneration of directors and senior management; and
    - assessment of the performance of the Company and the Board.

4. *Relations with the shareholders*

    - arrangements for the annual general meeting and any other shareholders' meetings;
    - matters relating to disclosure as required by the applicable laws and regulations; and
    - formation of shareholders' communication policy.

5. *Financial matters*

    - approval of annual accounts and directors' reports;
    - approval of accounting policies;
    - approval of any substantial change in the policies of the Company for statements of financial position management including but without limitation capital adequacy, credit, liquidity, debt maturity profile, interest rate and exchange rate risks and asset concentration both geographically and by sector;
    - approval of internal audit plan;
    - approval of internal control policy and procedures;
    - acceptance of auditor's reports including management letters; and
    - declaration of interim dividends and making recommendations on final dividends.

6. *Capital expenditures*

    - approval of the capital expenditure budget;
    - approval of capital commitment, whether or not the same has been provided for in the capital expenditure budget and/or annual budget; and
    - approval of priorities.

7. Any transaction that constitutes notifiable transaction or connected transaction for the Company under the Listing Rules (as amended from time to time).

8. To assess the likely impact of unexpected and significant events and other events which can affect the price and market activity of the shares of the Company and to decide whether the relevant information would be price-sensitive and needs to be disclosed.

9. *Risk management*

- risk assessment and insurance; and
- risk management policies.

10. *Internal controls and reporting system*

- approval and establishment of any effective procedures for monitoring and control of operations including internal procedures for audit and compliance.

11. Use of the company seal(s).

12. Donations and sponsorships (if any) above approved limits.

E. COMPANY SECRETARY

Ms. Lam Yee Wah Eva, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience and is capable of performance of the functions of the company secretary. The Company will provide fund for Ms. Lam to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules. During 2014, Ms. Lam has attended training programs and seminars arranged by The Hong Kong Institute of Chartered Secretaries and the Stock Exchange and has satisfied the 15 hours of professional training requirement of the Listing Rules.

F. COMMUNICATION WITH SHAREHOLDERS

F.1 Effective communication

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the annual general meetings and special general meetings, including the re-election of directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with code provision E.1.2 of the CG Code, Mr. Wu Xiao An, the chairman of the Board, and Mr. Xu Bingjin, the chairman of the audit committee, remuneration committee and nomination committee, have attended the 2014 AGM. Mr. Qi Yumin, a member of the remuneration committee and nomination committee, and Mr. Song Jian, a member of the three committees, also attended the 2014 AGM. All other directors also attended the meeting by way of telephone conference. Further, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all members of an independent board committee, attended the 2014 SGM at which approval was sought from the shareholders in relation to certain continuing connected transactions, and to answer questions raised by the shareholders at the meeting. Most of the other directors also attended the meeting in person or by way of telephone conference.

The chairman of the Board, the chairman of the audit committee, remuneration committee and nomination committee, or in their absence, another member of the relevant committee or an appointed representative, will attend the 2015 AGM to answer questions of shareholders.

Pursuant to code provision E.1.2 of the CG Code, the Company will invite representatives of the Auditors to attend the 2015 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company has arranged for notice and related documents to be sent to shareholders for the 2014 AGM at least twenty (20) clear business days before the meeting and at least ten (10) clear business days for the 2014 SGM pursuant to code provision E.1.3 of the CG Code. A separate resolution was prepared for each substantive matter to be presented to shareholders for approval at the 2014 AGM and 2014 SGM.

The Company has adopted a shareholders' communication policy on 28th March, 2012 (as revised with effect on 27th March, 2013 after a regular review by the Board) and the policy is available on the website of the Company.

F.2 Voting by poll

At the 2014 AGM, the chairman has provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of the Stock Exchange (as well as on the website of the Company) on the day of the holding of the shareholders' meeting.

G. SHAREHOLDERS' RIGHT

Shareholders' right to convene special general meeting

Pursuant to bye-law 62 of the Company's bye-laws and section 74 of The Companies Act 1981 of Bermuda (as amended), shareholder(s), holding not less than one-tenth of the issued and paid-up share capital of the Company carrying voting right at general meetings of the Company, have the right to make written requisition (the "**Requisition**") to the Board to convene a special general meeting.

Procedures for shareholders to convene special general meeting

The Requisition must be in writing and signed by all requisitionist(s) (being the shareholder(s) making the Requisition) and must be deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, with a copy sent to the Company' head office address at Suites 1602–05, Chater House, 8 Connaught Road Central, Hong Kong.

The Requisition must state the purposes of the special general meeting including the resolution(s) to be considered at the meeting.

Requisitionist(s) should also provide the following information:

(i) their respective shareholding information; and

(ii) their respective contact information (i.e. postal address, email address and contact telephone number).

The Company shall serve requisite notice of the special general meeting, including the time, place of meeting and particulars of resolution(s) to be considered at the meeting and the general nature of the business within twenty-one (21) days from the date of the deposit of the Requisition, failing which, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a special general meeting, but any special general meeting so convened shall not be held after the expiration of three months from the date of deposit of the Requisition. A special general meeting so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

H. INVESTOR RELATIONS

Significant changes in the Company's bye-laws

There was no amendment made to the bye-laws of the Company during the year 2014.

Independent Auditors' Report

Grant Thornton
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TO THE SHAREHOLDERS OF
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Brilliance China Automotive Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 112, which comprise the consolidated and company statements of financial position as at 31st December, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (Cont'd)

Grant Thornton
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OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12,
28 Hennessy Road,
Wanchai,
Hong Kong,

26th March, 2015

Chiu Wing Ning
Practising certificate number: P04920

Consolidated Income Statement

For the year ended 31st December, 2014

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

	Note	2014 RMB'000	2013 RMB'000
Revenue	5	**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	6	**(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	7	**5,342,882**	3,324,729
Income tax expense	8	**(42,913)**	(8,370)
Profit for the year		**5,299,969**	3,316,359
Attributable to:			
Equity holders of the Company	9	**5,403,434**	3,374,200
Non-controlling interests		**(103,465)**	(57,841)
		5,299,969	3,316,359
Earnings per share	11		
– Basic		**RMB1.07515**	RMB0.67138
– Diluted		**RMB1.07082**	RMB0.66870

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

	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 Statement of Changes in Equity

For the year ended 31st December, 2014

The Group	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2013	395,877	173,160	2,466,685	4,267	39,179	(537,584)	3,401	120,000	7,349,581	10,014,566	(816,094)	9,198,472
Transactions with equity holders of the Company												
Dividends	–	–	–	–	–	–	–	–	(393,711)	(393,711)	–	(393,711)
Profit for the year	–	–	–	–	–	–	–	–	3,374,200	3,374,200	(57,841)	3,316,359
Other comprehensive income												
Share of other comprehensive income of a joint venture	–	20,445	–	–	–	–	–	–	–	20,445	–	20,445
Change in fair value of available-for-sale financial assets	–	–	–	(220)	–	–	–	–	–	(220)	–	(220)
Total other comprehensive income	–	20,445	–	(220)	–	–	–	–	–	20,225	–	20,225
Total comprehensive income	–	20,445	–	(220)	–	–	–	–	3,374,200	3,394,425	(57,841)	3,336,584
As at 31st December, 2013	395,877	193,605	2,466,685	4,047	39,179	(537,584)	3,401	120,000	10,330,070	13,015,280	(873,935)	12,141,345

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2014

The Group	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2014	395,877	193,605	2,466,685	4,047	39,179	(537,584)	3,401	120,000	10,330,070	13,015,280	(873,935)	12,141,345
Transactions with equity holders of the Company												
Dividends	–	–	–	–	–	–	–	–	(437,153)	(437,153)	–	(437,153)
Profit for the year	–	–	–	–	–	–	–	–	5,403,434	5,403,434	(103,465)	5,299,969
Other comprehensive income												
Share of other comprehensive income of a joint venture	–	(1,062,536)	–	–	–	–	–	–	–	(1,062,536)	–	(1,062,536)
Change in fair value of available-for-sale financial assets	–	–	–	12,308	–	–	–	–	–	12,308	–	12,308
Total other comprehensive income	–	(1,062,536)	–	12,308	–	–	–	–	–	(1,050,228)	–	(1,050,228)
Total comprehensive income	–	(1,062,536)	–	12,308	–	–	–	–	5,403,434	4,353,206	(103,465)	4,249,741
As at 31st December, 2014	395,877	(868,931)	2,466,685	16,355	39,179	(537,584)	3,401	120,000	15,296,351	16,931,333	(977,400)	15,953,933

Statements of Financial Position

As at 31st December, 2014

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets					
Intangible assets	13	**995,780**	669,912	**–**	–
Property, plant and equipment	14	**1,960,155**	1,685,758	**436**	741
Land lease prepayments	15	**59,595**	61,053	**–**	–
Interests in subsidiaries	16	**–**	–	**3,962,947**	4,031,496
Interests in joint ventures	17	**11,290,550**	8,066,556	**–**	–
Interests in associates	18	**1,473,546**	1,351,686	**141,183**	141,183
Prepayments for long-term investments	19	**1,040,000**	600,000	**440,000**	–
Available-for-sale financial assets	20	**31,988**	19,680	**27,850**	15,542
Other non-current assets		**10,522**	11,616	**–**	–
Total non-current assets		**16,862,136**	12,466,261	**4,572,416**	4,188,962
Current assets					
Cash and cash equivalents		**1,178,583**	903,263	**11,943**	40,975
Short-term bank deposits		**146,127**	173,934	**103,772**	101,974
Pledged short-term bank deposits	21	**1,201,122**	1,039,469	**–**	–
Inventories	22	**796,584**	769,435	**–**	–
Accounts receivable	23	**1,194,130**	834,460	**–**	–
Notes receivable	24	**769,674**	1,385,259	**–**	–
Other current assets	25	**1,058,573**	1,418,182	**386,938**	489,266
Total current assets		**6,344,793**	6,524,002	**502,653**	632,215
Current liabilities					
Accounts payable	26	**2,963,353**	2,990,627	**–**	–
Notes payable	27	**1,858,010**	1,298,253	**–**	–
Other current liabilities	28	**916,176**	940,226	**9,558**	9,908
Short-term bank borrowings	29	**1,365,000**	1,528,200	**–**	–
Income tax payable		**31,454**	35,212	**–**	–
Total current liabilities		**7,133,993**	6,792,518	**9,558**	9,908
Net current (liabilities) assets		**(789,200)**	(268,516)	**493,095**	622,307
Total assets less current liabilities		**16,072,936**	12,197,745	**5,065,511**	4,811,269
Non-current liabilities					
Deferred government grants		**119,003**	56,400	**–**	–
NET ASSETS		**15,953,933**	12,141,345	**5,065,511**	4,811,269

Statements of Financial Position (Cont'd)

As at 31st December, 2014

	Note	The Group 2014 RMB'000	The Group 2013 RMB'000	The Company 2014 RMB'000	The Company 2013 RMB'000
Capital and reserves					
Share capital	32(a)	**395,877**	395,877	**395,877**	395,877
Reserves	33	**16,535,456**	12,619,403	**4,669,634**	4,415,392
Total equity attributable to equity holders of the Company		**16,931,333**	13,015,280	**5,065,511**	4,811,269
Non-controlling interests		**(977,400)**	(873,935)	**–**	–
TOTAL EQUITY		**15,953,933**	12,141,345	**5,065,511**	4,811,269

Wu Xiao An
(Also known as Ng Siu On)
Director

Qi Yumin

Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	Note	**2014** RMB'000	2013 RMB'000
Operating activities			
Cash generated from (used in) operations	35	**766,813**	(184,058)
Interest received		**49,454**	39,107
Enterprise income tax paid		**(46,671)**	(8,858)
Net cash generated from (used in) operating activities		**769,596**	(153,809)
Investing activities			
Acquisition of property, plant and equipment and additions of intangible assets		**(737,266)**	(616,191)
Increase in short-term and pledged bank deposits		**(133,846)**	(100,970)
Dividend received from an associate		**105,000**	84,000
Dividend received from a joint venture		**1,250,000**	1,000,000
Proceeds from disposal of property, plant and equipment		**4,699**	29,725
Prepayments for paid up registered capital of a new subsidiary		**(440,000)**	–
Decrease (Increase) in other long-term assets		**1,094**	(382)
Decrease in amounts due from affiliated companies		**164,799**	73,880
Net cash generated from investing activities		**214,480**	470,062
Financing activities			
Increase in amounts due to affiliated companies		**5,040**	4,091
Issue of notes payable		**525,208**	630,365
Repayments of notes payable		**(630,365)**	(888,697)
Government grants received		**158,457**	124,869
Proceeds from short-term bank borrowings		**1,738,700**	1,818,200
Repayments of short-term bank borrowings		**(1,901,900)**	(1,409,000)
Dividends paid		**(437,153)**	(393,711)
Interest paid		**(166,743)**	(135,618)
Net cash used in financing activities		**(708,756)**	(249,501)
Increase in cash and cash equivalents		**275,320**	66,752
Cash and cash equivalents, as at 1st January,		**903,263**	836,511
Cash and cash equivalents, as at 31st December,		**1,178,583**	903,263

Notes to the Financial Statements

For the year ended 31st December, 2014

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.

(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 as explained in note 2(i)(i) below.

(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 current and future liquidity of the Group and its ability to provide working capital for its operations.

At 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Preparation of financial statements (Cont'd)

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.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In consolidated financial statements, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gains or losses have been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Basis of consolidation (Cont'd)

(ii) Non-controlling interests

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

The Group treats transactions with non-controlling interests as transactions with equity holders of the Company. For purchases of additional equity interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Difference between consideration and respective net assets disposed of to non-controlling interests are also recorded in equity.

(iii) Associates and joint ventures

An associate is an entity, not being a subsidiary or a joint entity, in which an equity interest is held for the long-term and the Group or Company has significant influence, but not control or joint control over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

A joint venture is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the joint venture's net assets and any impairment losses related to the investment. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and joint ventures for the year, including any impairment loss on goodwill relating to the investment in associates and joint ventures recognised for the year.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Where unrealised losses on asset sales between the Group and its associates or joint ventures are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Basis of consolidation (Cont'd)

(iii) Associates and joint ventures (Cont'd)

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less accumulated impairment losses unless they are held for sale or included in a disposal group that are classified as held for sale. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. Results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable. All dividends whether received out of the associate's or joint venture's pre or post-acquisition profits are recognised in the Company's profit or loss.

(iv) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities, including the Company, subsidiaries, associates and joint ventures, are all measured using Renminbi ("**RMB**") which is the currency of the primary economic environment in which the entities operate ("**the functional currency**").

Transactions in currencies other than the functional currency are translated into the functional currency at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in other currencies at the reporting date are re-translated into the functional currency at rates of exchange prevailing at the reporting date. Exchange differences arising in these cases are dealt with in the profit or loss.

Cumulative translation adjustments under shareholders' equity represent exchange differences arising from the Company's change in functional currency in previous years.

Notes to the Financial Statements (Cont'd)

For the year ended 31st December, 2014

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Intangibles

(i) Goodwill

Capitalised goodwill arising on acquisition of an associate or a joint venture is included in the cost of the investment of the relevant associate or joint venture.

On disposal of a cash generating unit of an associate or a joint venture, any attributable amount of purchased goodwill is included in the calculation of gain or loss on disposal.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)).

(ii) Research and development costs

Research costs are charged to profit or loss as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are capitalised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so; costs are identifiable and can be reliably measured and there is an intention and ability to sell or use the asset for generating future economic benefits. Such development costs include the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable, and are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over 5 to 7 years. Development costs that do not meet the above criteria are charged to profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

(iii) Acquired intangible assets

Acquired intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over the estimated useful lives of 5 to 10 years.

(f) Property, plant and equipment

Property, plant and equipment, including land and buildings (if any) but other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the profit or loss.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values of 10%, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20–30 years
Machinery and equipment	10–20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Tools and moulds	20,000–420,000 times of usage

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) Construction-in-progress

Construction-in-progress represents factories and office buildings for which construction work has not been completed and machinery pending installation and which, upon completion, management intends to hold for production or own use. Construction-in-progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less accumulated impairment losses. On completion, the construction-in-progress is transferred to corresponding classes of property, plant and equipment or intangible assets at cost less accumulated impairment losses. Construction-in-progress is not depreciated or amortised until such time as the assets are completed and ready for their intended use.

(h) Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all of the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land lease prepayments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

The Group's financial assets other than investments in subsidiaries, associates and joint ventures are classified into available-for-sale financial assets and loans and receivables.

(i) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Financial instruments (Cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognised at fair value. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate.

(iii) Impairment of financial assets

At each reporting date, the Group assesses for indicators of impairment on financial assets. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For available-for-sale financial assets in equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered objective evidence of impairment.

For all other financial assets, objective evidence of impairment includes:

– significant financial difficulty of the issuer or counterparty;

– default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for that financial asset because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

The impairment loss of a financial asset carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Financial instruments (Cont'd)

(iii) Impairment of financial assets (Cont'd)

Loans and receivables

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Impairment loss is recognised in profit or loss for the period in which the impairment occurs.

For financial assets other than accounts receivable, other receivables and receivables from related parties that are stated at amortised costs, impairment losses are written off against the corresponding assets directly. For accounts receivable, other receivables and receivables from related parties, when the recovery of these financial assets is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group considers that recovery of these receivables is remote, the amount considered irrecoverable is written off against these receivables directly and any amounts held in the allowance account in respect of these receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is reclassified from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investments in equity instruments classified as available-for-sale financial assets and stated at fair values are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances is recognised in profit and loss.

Impairment losses recognised in an interim period in respect of available-for-sale financial assets in equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of these available-for-sale financial assets increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Financial instruments (Cont'd)

(iv) Other financial liabilities

The Group's other financial liabilities include accounts and notes payables and other payables, bank loans and other borrowings. These financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest-related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(t)).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(v) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is initially recognised as deferred income within accounts and other payables at fair value, where such information is available. Otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the reporting date.

(j) Impairment of non-financial assets

At each reporting date, the Group reviews internal and external sources of information to determine whether its tangible and intangible assets (other than goodwill), investments in subsidiaries, associates and joint ventures and prepayments have suffered impairment losses, or whether an impairment loss previously recognised no longer exists or may be reduced. If any such indication is found, the recoverable amount of the asset is estimated based on the higher of its fair value less costs to sell, and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

For the purpose of assessing impairment of goodwill, goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose which should not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) Impairment of non-financial assets (Cont'd)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase, direct labour, and an appropriate proportion of all production overheads and other costs incurred in bringing the inventories to their present location and condition. Costs are calculated on the moving weighted-average basis, except for costs of work-in-progress and finished goods of minibuses which are calculated on a specific identification basis. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Deposits with banks or other financial institutions with a maturity of more than three months and within one year at acquisition are classified as short-term deposits.

Pledged short-term deposits are the same as short-term deposits except that these deposits are pledged to bankers for banking facilities granted.

(m) Provisions

Provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to settle the obligation.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Government grants

Grants from government are recognised at their fair values. Conditional government grants are recognised in the statement of financial position initially as deferred government grants when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the costs of construction-in-progress, development of new or improved products, property, plant and equipment and land lease prepayments are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Any unconditional grant is recognised in profit or loss as revenue when the grant becomes receivable.

(o) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to profit or loss on a straight-line basis over the lease periods.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

Bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group's contributions to defined contribution retirement plans administered by the government of the PRC are recognised as an expense in profit or loss. The assets of the schemes are held separately from those of the Group in independently administered funds. Further information is set out in note 31.

Contributions made to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong are charged to profit or loss when incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Employee benefits (Cont'd)

(iv) Share-based payments

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of equity instrument at grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share options reserve within equity. The fair value is determined using the Black-Scholes option pricing model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

(q) Income tax

Income tax in profit or loss comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. All changes to current tax assets or liabilities are recognised as a component of tax expenses in profit or loss.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the reporting date are used to determine deferred taxation.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(s) Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably and on the following bases:

(i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and titles are passed.

(ii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(u) Segment reporting

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.

The measurement policies the Group adopts for reporting segment results under HKFRS 8 are the same as those used in its 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 Group's financial statements prepared under HKFRS.

Segment assets include all assets other than interests in joint ventures (note 17), interests in associates (note 18), available-for-sale financial assets (note 20), prepayments for long-term investments (note 19) and advance to Shenyang Automobile Industry Asset Management Company Limited ("**SAIAM**") (note 25(a)). 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(v) Related parties

For the purpose of these financial statements, a related party includes a person and entity as defined below:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture or a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third entity.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group and the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(w) Future changes in HKFRSs

As at the date of authorisation of these financial statements, the HKICPA has issued the following new standards, amendments and interpretations which are not yet effective.

HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 19	Defined Benefit Plan: Employee Contributions[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2016
3 Effective for annual periods beginning on or after 1st January, 2017
4 Effective for annual periods beginning on or after 1st January, 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the accounting policies set out in note 2, management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Depreciation and amortisation

The net book values of the Group's property, plant and equipment (other than construction-in-progress) and intangible assets as at 31st December, 2014 were approximately RMB1,629 million (2013: RMB1,348 million) and RMB996 million (2013: RMB670 million), respectively. The Group depreciates its property, plant and equipment, other than construction-in-progress, on a straight line basis after taking into account their estimated residual value, over 5 to 30 years for property, plant and equipment other than special tools and moulds, and over 20,000 times to 420,000 times of usage for special tools and moulds. The intangible assets are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

The depreciation and amortisation rates are determined based on the estimated useful lives and reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets with reference to the current condition and the level of technological advancement of these assets compared with the market. When there is a change in technological advancement in the market which reduces the expected useful lives of these assets, the depreciation and amortisation rates are adjusted which would have a negative impact on the Group's results.

(b) Impairment test of goodwill

The Group determines whether goodwill is required to be impaired based on an estimation of the value of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, full provision of impairment was provided for goodwill in investment in subsidiaries (2013: Same) while carrying value of goodwill in investment in associates was approximately RMB72.8 million (2013: approximately RMB72.8 million). Based on the assessment, no further impairment loss is considered necessary by the directors. If the actual future cash flows of these associates are less than expected, the maximum potential impact to the financial statements would be the carrying amounts of the goodwill.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(c) Impairment on inventories

The Group's management reviews inventory aging analysis at each reporting date and makes allowance for obsolete and slow-moving items of inventories that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based principally on the selling prices of the respective finished goods and current market conditions. The management carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

Situation in the PRC automobile market could change from time to time and this can put pressure on the selling prices and the turnover of the Group's inventories. As at 31st December, 2014, the Group had inventories of RMB796,584,000 (2013: RMB769,435,000) (net of provision of impairment of RMB72,366,000 (2013: RMB124,837,000)). Should there be an unexpected change in market condition, the provision may not be adequate and further impairment may be required, and a material loss may arise.

(d) Impairment on receivables

The policy for impairment on the Group's bad and doubtful debts of receivables is based on an estimation of present value of the future cash flows from receivables with reference to aging analysis of accounts. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. As at 31st December, 2014, the Group had accounts receivable (both from third parties and affiliated companies) totalling RMB1,194,130,000 (2013: RMB834,460,000) (net of accumulated impairment losses of RMB42,669,000 (2013: RMB41,995,000)), other receivables of RMB404,883,000 (2013: RMB400,803,000) (net of accumulated impairment losses of RMB88,517,000 (2013: RMB99,374,000)), and amounts due from affiliated companies of RMB500,900,000 (2013: RMB944,087,000) (net of accumulated impairment losses of RMB92,148,000 (2013: RMB55,975,000)). Where the actual cash flows are less than expected, a material loss may arise.

(e) Warranty provisions

The Group makes provisions for product warranties (note 28) granted by the Group in respect of certain products. These provisions are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's major financial instruments include accounts and notes receivables, other receivables, prepayment for a long-term investment, accounts and notes payables, other payables and interest-bearing borrowings. Details of the policies on mitigating the risks from these financial instruments are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group's credit risk primarily consists of accounts receivable, notes receivable and other receivables from a variety of customers and debtors including state and local agencies, municipalities and private industries and their affiliated companies, bank balances and deposits, and guarantee for loans drawn by its affiliated companies.

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 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 collection with customers.

The Group reviews regularly the recoverable amount of each individual receivable and adequate provision is made for any balance determined to be unrecoverable.

The Group has no significant concentration of credit risk as at 31st December, 2014 except that about 19% (2013: 24%) of accounts receivable were due from Huachen. As at 31st December, 2014, the total receivable due from Huachen amounted to RMB278 million (2013: RMB596 million). However, the Group also had total payable of RMB276 million (2013: RMB396 million) as at 31st December, 2014 to Huachen. Accordingly, the net credit risk exposure from Huachen as at 31st December, 2014 was minimal (2013: RMB200 million). The directors consider that the net amount due had arisen from normal course of business with Huachen and therefore the credit risk is at acceptable level but the Group will continue to monitor the exposure.

The credit risk on liquid funds with banks is limited because these banks are authorised banks in the PRC with high credit ratings.

The Group's maximum exposure of credit risk is in the carrying amounts of the Group's balances in accounts receivable, notes receivable and other receivables from both third parties and affiliated companies totalling RMB2,870 million as at 31st December, 2014 (2013: RMB3,565 million).

The Company's credit risk is mainly arisen from amounts due from affiliated companies and other receivables. The maximum exposure of credit risk is the carrying amount of amounts due from affiliated companies of RMB383 million (2013: RMB486 million) and other receivables of RMB3 million (2013: RMB2 million). The Company reviews regularly the recoverable amount of each individual receivable and adequate provision is made for any balance determined to be unrecoverable.

Notes to the Financial Statements (Cont'd)

For the year ended 31st December, 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(b) Liquidity risk

In managing liquidity risk, 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 Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. In view of the excess of current liabilities over current assets of the Group, the management has taken necessary measures to maintain the Group's liquidity as set out in note 2(c).

As at 31st December, 2013 and 31st December, 2014, the remaining contractual maturities of the Group's financial liabilities which were all due within one year, based on undiscounted cash flows, are summarised below:

	2014 RMB'000	2013 RMB'000
Financial liabilities		
Accounts payable	**2,963,353**	2,990,627
Notes payable	**1,858,010**	1,298,253
Other payables	**685,872**	548,909
Accrued expenses and other current liabilities	**65,612**	63,400
Short-term bank borrowings	**1,401,950**	1,567,028
Amounts due to affiliated companies	**41,219**	148,420
	7,016,016	6,616,637

	2014 RMB'000	2013 RMB'000
Financial guarantee contracts (Note)		
– Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**") *(Note 34(b))*	**60,000**	60,000
– Shenyang JinBei Automotive Co., Ltd. ("**JinBei**") *(Note 34(a))*	**586,500**	526,500
	646,500	586,500

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the directors considered that it was not probable that the borrower of the loan would default the repayment of the loan and therefore no provision for the Group's obligation under the guarantee has been made.

The Company did not provide any guarantee to any of the subsidiaries of the Group during the year and at 31st December, 2014 (2013: Nil).

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(c) Currency risk

The Group's business mainly operates in the PRC with most of its transactions denominated and settled in RMB, except that certain receivables and payables, and cash and cash equivalents are denominated in U.S. Dollars which are exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge the foreign exchange risk.

At 31st December, 2014, if the RMB had strengthened/weakened by 3% against the U.S. Dollar with all other variables held constant, the post-tax profit for the year would have been approximately RMB24 million lower/higher (2013: RMB12 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of the U.S. Dollar denominated trade receivable, cash and cash equivalents and short-term bank deposits.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank loans and discounted bank guaranteed notes.

Funds not required by the Group in the short-term are kept as temporary demand or time deposits with commercial banks and the Group does not hold any market risk-sensitive instruments for speculative purposes.

Assuming the cash and cash equivalents, short-term deposits, pledged short-term bank deposits, short-term bank borrowings and notes payable for financing outstanding as at 31st December, 2014 were outstanding for the whole year, a 50 basis point increase or decrease would increase or decrease the profit after tax and equity of the Group for the year by approximately RMB2.53 million (2013: approximately RMB0.03 million). The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for 2013.

The Company does not have significant exposure in interest rate risk.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(e) Summary of financial instruments by category

The carrying amounts of the Group's and the Company's financial assets at 31st December, 2013 and 31st December, 2014 are categorized as follows:

	The Group			The Company		
	Loans and Receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and Receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets at 31st December, 2014:						
Prepayment for long-term investments	–	1,040,000	1,040,000	–	440,000	440,000
Available-for-sale financial assets	–	31,988	31,988	–	27,850	27,850
Cash and cash equivalents	1,178,583	–	1,178,583	11,943	–	11,943
Short-term bank deposits	146,127	–	146,127	103,772	–	103,772
Pledged short-term bank deposits	1,201,122	–	1,201,122	–	–	–
Accounts receivable	1,194,130	–	1,194,130	–	–	–
Notes receivable	769,674	–	769,674	–	–	–
Other receivables	404,883	–	404,883	2,514	–	2,514
Amounts due from affiliated companies	500,900	–	500,900	383,066	–	383,066
	5,395,419	**1,071,988**	**6,467,407**	**501,295**	**467,850**	**969,145**
Financial assets at 31st December, 2013:						
Prepayment for long-term investment	–	600,000	600,000	–	–	–
Available-for-sale financial assets	–	19,680	19,680	–	15,542	15,542
Cash and cash equivalents	903,263	–	903,263	40,975	–	40,975
Short-term bank deposits	173,934	–	173,934	101,974	–	101,974
Pledged short-term bank deposits	1,039,469	–	1,039,469	–	–	–
Accounts receivable	834,460	–	834,460	–	–	–
Notes receivable	1,385,259	–	1,385,259	–	–	–
Other receivables	400,803	–	400,803	2,415	–	2,415
Amounts due from affiliated companies	944,087	–	944,087	485,531	–	485,531
	5,681,275	619,680	6,300,955	630,895	15,542	646,437

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(e) Summary of financial instruments by category (Cont'd)

The carrying amounts of the Group's and the Company's financial liabilities at 31st December, 2013 and 31st December, 2014 are categorized as follows:

	The Group Financial liabilities measured at amortised costs		The Company Financial liabilities measured at amortised costs	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities at 31st December,				
Accounts payable	**2,963,353**	2,990,627	**–**	–
Notes payable	**1,858,010**	1,298,253	**–**	–
Other payables	**685,872**	548,909	**2,589**	2,577
Accrued expenses and other current liabilities	**65,612**	63,400	**1,936**	2,284
Short-term bank borrowings	**1,365,000**	1,528,200	**–**	–
Amounts due to affiliated companies	**41,219**	148,420	**5,033**	5,047
	6,979,066	6,577,809	**9,558**	9,908

(f) Fair value measurements recognised in the statement of financial position

The Group and the Company measure available-for-sale financial assets with market quoted prices at fair value at the end of each reporting period. Fair value is the price that will be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group or the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the three-level fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(f) Fair value measurements recognised in the statement of financial position (Cont'd)

The Group's and the Company's financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2014				2013			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Assets								
Available-for-sale financial assets								
– Listed	**27,850**	**–**	**–**	**27,850**	15,542	–	–	15,542

There have been no transfers between levels 1, 2 and 3 or issue or settlement of financial instruments of levels 1, 2 and 3 during the reporting years.

The listed equity securities are denominated in Hong Kong dollars. Fair value has been determined by reference to the quoted bid price at the reporting date and has been translated using the spot foreign currency rate at the end of the reporting year where appropriate.

5. 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	2013
	RMB'000	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 directors identify the Group's operating segments as detailed in note 2(u).

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Cont'd)

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

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Cont'd)

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
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

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Cont'd)

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 SAIAM				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

6. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expense on:		
– bank loans wholly repayable within one year	**93,272**	90,860
– discounted bank guaranteed notes	**79,202**	63,954
	172,474	154,814
Less: interest expense capitalised in intangible assets and construction-in-progress at a rate of 6.3% (2013: 6.1%)	**(16,161)**	(16,246)
	156,313	138,568

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Note	2014 RMB'000	2013 RMB'000
Charging:			
Impairment losses on:			
– Intangible assets (a)	13	–	1,844
– Property, plant and equipment	14	**5,461**	–
– Accounts receivable (b)	23(a)	**674**	173
– Amounts due from affiliated companies (b)	34(e)	**36,173**	40,000
– Other receivables (b)	25(a)	**18,967**	6,034
		61,275	48,051
Staff costs	10(a)	**667,308**	579,127
Amortisation of intangible assets (a)	13	**29,653**	37,375
Amortisation of land lease prepayments	15	**1,458**	1,458
Depreciation of property, plant and equipment	14	**108,215**	100,332
Cost of inventories (c)		**5,003,702**	5,380,523
Provision for inventories	22	**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	22	**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	25(a)	**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).

8. 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

(a) Bermuda tax

The Company was incorporated under the laws of Bermuda and has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, at least until year 2035.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2013: Nil).

(c) PRC corporate income tax

The Group's subsidiaries incorporated in the PRC are subject to Corporate Income Tax. Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the subsidiaries, except Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), is calculated at 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Mianyang Ruian received official designation by the local tax authority as a foreign-invested enterprise engaged in manufacturing activities in 2001. In 2004, Mianyang Ruian was also designated as an entity under "the encouraged industries under Catalogue for the Guidance of Foreign Investment Industries" and with its location in the Western area of the PRC, the applicable state income tax rate for Mianyang Ruian is 15%.

With effect from 1st January, 2008, all profits of the PRC subsidiaries arising since that date that are distributed and remitted as dividend to the overseas parents are subject to 10% withholding tax on the amount remitted. The dividends received by the Company solely relate to the dividends from BMW Brilliance in the same year and therefore dividend withholding tax is paid in the same year. For the profits generated by the manufacture of minibuses and spare parts by the Group's subsidiaries, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore the withholding tax would not be applicable to the Group for those respective profits. Accordingly, no deferred tax is recognised in respect of this withholding tax on profits of the Group's PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totalled approximately RMB2,352,478,000 at 31st December, 2014 (2013: RMB555,859,000).

8. INCOME TAX EXPENSE (Cont'd)

(c) PRC corporate income tax (Cont'd)

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

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to the equity holders of the Company for the year includes a profit of approximately RMB679,087,000 (2013: approximately RMB379,040,000) which has been dealt with in the financial statements of the Company.

10. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Staff costs

	2014 RMB'000	2013 RMB'000
Wages, salaries and performance related bonus	**498,436**	425,905
Pension costs – defined contribution plans	**56,512**	52,548
Staff welfare costs	**112,360**	100,674
	667,308	579,127

10. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(b) Executive directors' and non-executive directors' emoluments

The amounts of emoluments paid and payable to the directors of the Company during 2014 are as follows:

	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2014					
Executive directors					
Mr. Wu Xiao An	–	**3,938**	**3,728**	**13**	**7,679**
Mr. Qi Yumin	–	–	**2,321**	–	**2,321**
Mr. Wang Shiping	–	**436**	–	–	**436**
Mr. Tan Chengxu	–	–	**1,312**	–	**1,312**
	–	**4,374**	**7,361**	**13**	**11,748**
Non-executive director					
Mr. Lei Xiaoyang	–	**394**	–	–	**394**
Independent non-executive directors					
Mr. Xu Bingjin	**118**	**79**	–	–	**197**
Mr. Song Jian	**118**	**79**	–	–	**197**
Mr. Jiang Bo	**118**	**79**	–	–	**197**
	354	**237**	–	–	**591**
	354	**5,005**	**7,361**	**13**	**12,733**

The aggregate amounts of emoluments paid and payable to the directors of the Company during 2013 are as follows:

	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2013					
Executive directors					
Mr. Wu Xiao An	–	3,790	3,576	12	7,378
Mr. Qi Yumin	–	–	2,280	–	2,280
Mr. Wang Shiping	–	436	–	–	436
Mr. Tan Chengxu	–	–	1,740	–	1,740
	–	4,226	7,596	12	11,834
Non-executive director					
Mr. Lei Xiaoyang	–	399	–	–	399
Independent non-executive directors					
Mr. Xu Bingjin	120	–	–	–	120
Mr. Song Jian	120	–	–	–	120
Mr. Jiang Bo	120	–	–	–	120
	360	–	–	–	360
	360	4,625	7,596	12	12,593

10. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(b) Executive directors' and non-executive directors' emoluments (Cont'd)

In both 2013 and 2014,

- no share option was granted to any of the directors;
- no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office; and
- no directors waived their emoluments.

The ultimate objective of the Group's emolument policy is to ensure that the pay levels of its employees are in line with industry practices and prevailing market conditions so as to enable the Group to attract and retain persons of high quality and experience which is essential to the success of the Group.

In determining the level of fees and other emoluments paid to directors of the Company, market rates and factors such as each director's workload and required commitment are taken into account:

- Remuneration of executive directors comprises basic remuneration determined with reference to their qualifications, industry experience and responsibilities within the Group, and a performance-based remuneration. In determining the performance-based remuneration of executive directors, regard is given to the Company's corporate goals and objectives set by the board from time to time and the performance and contribution of the individual to the Group's overall performance.
- Non-executive director is compensated with reference to his qualifications, expertise and experience and the amount of time allocated to the affairs of the Group.
- Independent non-executive directors are compensated with reference to the level of compensation awarded to independent non-executive directors by other companies listed on the SEHK; the responsibilities assumed by such independent non-executive directors; complexity of the automobile industry and the business of the Group; goodwill and reputational value brought to the Group by the relevant independent non-executive director.

During the process of consideration, no individual director is involved in decisions relating to his own remuneration.

(c) Remuneration of senior management

In pursuant to Appendix 14 to the Listing Rules, the remuneration of senior management, excluding directors, is within the following bands:

	2014	2013
	Number	Number
HK$1,000,000 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$3,000,000	**2**	2

10. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(d) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2013: two directors), details of whose emoluments have been disclosed in note (b) above. The emoluments paid to the remaining three individuals (2013: three individuals) for the year are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**6,040**	5,823
Performance related bonus	**1,103**	1,437
Contributions to pension schemes	**13**	12
	7,156	7,272

The number of the remaining highest paid individuals whose emoluments fell within the following bands is as follows:

	2014	2013
	Number	Number
HK$2,000,001 to HK$3,000,000	**2**	2
HK$3,000,001 to HK$4,000,000	**1**	1

The emoluments represent the amounts paid to or receivable by the individuals in the respective financial year, which include the benefits derived from the share options granted, if any (note 32(c)).

During the year, no emoluments were paid to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (2013: Same).

11. 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

12. 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).

13. INTANGIBLE ASSETS

	Development costs RMB'000	**Specialised software RMB'000**	**Total RMB'000**
Cost			
As at 1st January, 2013	494,441	12,902	507,343
Additions	340,352	1,025	341,377
Transfer from construction-in-progress *(Note 14)*	6,192	53	6,245
As at 31st December, 2013	840,985	13,980	854,965
As at 1st January, 2014	**840,985**	**13,980**	**854,965**
Additions	**352,942**	**2,579**	**355,521**
As at 31st December, 2014	**1,193,927**	**16,559**	**1,210,486**
Accumulated amortisation and impairment losses			
As at 1st January, 2013	137,421	8,413	145,834
Amortisation	36,335	1,040	37,375
Impairment	1,844	–	1,844
As at 31st December, 2013	175,600	9,453	185,053
As at 1st January, 2014	**175,600**	**9,453**	**185,053**
Amortisation	**27,956**	**1,697**	**29,653**
As at 31st December, 2014	**203,556**	**11,150**	**214,706**
Net book value			
As at 31st December, 2014	**990,371**	**5,409**	**995,780**
As at 31st December, 2013	665,385	4,527	669,912

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Tools & moulds, machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
As at 1st January, 2013	576,538	1,879,763	283,030	97,955	308,689	3,145,975
Additions	5,551	41,340	12,309	4,370	286,854	350,424
Inter-transfer	1,994	228,247	16,346	2,181	(248,768)	–
Transfer to intangible assets *(Note 13)*	–	–	–	–	(6,245)	(6,245)
Disposals	(27,799)	(299,973)	(57,546)	(19,211)	–	(404,529)
As at 31st December, 2013	556,284	1,849,377	254,139	85,295	340,530	3,085,625
As at 1st January, 2014	**556,284**	**1,849,377**	**254,139**	**85,295**	**340,530**	**3,085,625**
Additions	**6,767**	**276,193**	**12,430**	**3,710**	**151,756**	**450,856**
Inter-transfer	**76,888**	**62,257**	**18,202**	**708**	**(158,055)**	**–**
Disposals	**(67)**	**(129,236)**	**(10,481)**	**(8,247)**	**–**	**(148,031)**
As at 31st December, 2014	**639,872**	**2,058,591**	**274,290**	**81,466**	**334,231**	**3,388,450**
Accumulated depreciation and impairment losses						
As at 1st January, 2013	254,729	882,484	201,990	56,491	5,148	1,400,842
Charge for the year	15,950	62,854	14,063	7,465	–	100,332
Inter-transfer	–	1,909	108	–	(2,017)	–
Eliminated on disposals/write-off	(15,573)	(39,556)	(39,285)	(6,893)	–	(101,307)
As at 31st December, 2013	255,106	907,691	176,876	57,063	3,131	1,399,867
As at 1st January, 2014	**255,106**	**907,691**	**176,876**	**57,063**	**3,131**	**1,399,867**
Charge for the year	**17,993**	**66,343**	**16,459**	**7,420**	**–**	**108,215**
Impairment	**–**	**5,461**	**–**	**–**	**–**	**5,461**
Eliminated on disposals/write-off	**(60)**	**(72,822)**	**(5,278)**	**(7,088)**	**–**	**(85,248)**
As at 31st December, 2014	**273,039**	**906,673**	**188,057**	**57,395**	**3,131**	**1,428,295**
Net book value						
As at 31st December, 2014	**366,833**	**1,151,918**	**86,233**	**24,071**	**331,100**	**1,960,155**
As at 31st December, 2013	301,178	941,686	77,263	28,232	337,399	1,685,758

All buildings are situated in the PRC under medium term leases of not more than 50 years.

15. LAND LEASE PREPAYMENTS

The carrying value of land lease prepayments represents cost less accumulated amortisation paid for land use rights in the PRC under medium term leases of not more than 50 years. The value to be amortised within the next twelve months after 31st December, 2014 amounts to RMB1,458,000 (2013: RMB1,458,000).

	2014 **RMB'000**	2013 RMB'000
Cost		
As at 1st January, and at 31st December,	**89,919**	89,919
Accumulated amortisation		
As at 1st January,	**28,866**	27,408
Charge for the year	**1,458**	1,458
As at 31st December,	**30,324**	28,866
Net book value		
As at 31st December,	**59,595**	61,053

16. INTERESTS IN SUBSIDIARIES

	2014 **RMB'000**	2013 RMB'000
Unlisted investments, at cost	**4,127,744**	4,127,744
Accumulated impairment losses on investments	**(1,768,000)**	(1,768,000)
	2,359,744	2,359,744
Amounts due from subsidiaries:		
– interest bearing *(Note a)*	**6,920**	6,920
– non-interest bearing *(Note b)*	**1,944,455**	1,976,832
	1,951,375	1,983,752
Accumulated impairment losses on doubtful debts	**(348,172)**	(312,000)
	1,603,203	1,671,752
	3,962,947	4,031,496

Notes:

(a) The amounts are interest-bearing at rates ranging from 5% to 7.8125% (2013: 5% to 7.8125%) per annum, unsecured and repayable on demand.

(b) The amounts are unsecured, interest-free and repayable on demand.

16. INTERESTS IN SUBSIDIARIES (Cont'd)

Details of the Company's subsidiaries as at 31st December, 2014 and 2013 were as follows:

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/ voting right attributable to the Company		Principal activities
				Directly	*Indirectly*	
Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**")	Shenyang, the PRC	US$444,160,000	Equity joint venture	51%	9.9%	Manufacture, assembly and sale of minibuses and automotive components
Ningbo Yuming Machinery Industrial Co., Ltd.	Ningbo, the PRC	US$22,500,000	Wholly foreign owned enterprise	–	100%	Manufacture and sale of automotive components
Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**")	Shenyang, the PRC	US$150,000,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Ningbo Brilliance Ruixing Auto Components Co., Ltd.	Ningbo, the PRC	US$5,000,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Mianyang Ruian	Mianyang, the PRC	US$22,910,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Shenyang Brilliance Dongxing Automotive Component Co., Ltd.	Shenyang, the PRC	RMB222,000,000	Wholly foreign owned enterprise	–	100%	Manufacture and trading of automotive components and remodeling minibuses and sedans
Shenyang Jindong Development Co., Ltd.	Shenyang, the PRC	RMB10,000,000	Equity joint venture	–	80.45%	Trading of automotive components
Shenyang Jianhua Motors Engine Co., Ltd. ("**Shenyang Jianhua**")	Shenyang, the PRC	RMB155,032,500	Equity joint venture	–	68.72%	Investment holding
China Brilliance Automotive Components Group Limited	Bermuda	US$12,000	Company with limited liabilities	100%	–	Investment holding
Brilliance Investment Holdings Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding
Beston Asia Investment Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding
Pure Shine Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding

16. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/ voting right attributable to the Company		Principal activities
				Directly	*Indirectly*	
Key Choices Group Limited	British Virgin Islands	US$50,000	Company with limited liabilities	100%	–	Investment holding
Brilliance China Finance Limited	British Virgin Islands	US$50,000	Company with limited liabilities	100%	–	Investment holding
Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**")	Shenyang, the PRC	RMB1,500,000,000	Company with limited liabilities	–	100%	Investment holding
Shanghai Hidea Auto Design Co., Ltd.	Shanghai, the PRC	US$2,000,000	Equity joint venture	25%	45.68%	Design of automobiles

Note: Except for the subsidiaries incorporated in Bermuda and the British Virgin Islands, all other subsidiaries principally operate in the PRC.

17. INTERESTS IN JOINT VENTURES

	2014 **RMB'000**	2013 RMB'000
Share of net assets	**11,290,550**	8,066,556

Details of the Group's joint ventures as at 31st December, 2014 and 2013 were as follows:

Name of company	Place of incorporation/ establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/voting right held indirectly	Principal activities
Shenyang Xinguang Brilliance Automobile Engine Co., Ltd. ("**Xinguang Brilliance**")	Shenyang, the PRC	US$7,220,000	Equity joint venture	50%	Manufacture and sale of automotive engines for minibuses and light duty trucks
BMW Brilliance	Shenyang, the PRC	US$174,000,000	Equity joint venture	50%	Manufacture and sale of BMW vehicles

17. INTERESTS IN JOINT VENTURES (Cont'd)

BMW Brilliance's assets and liabilities and the respective net assets shared by the Group are as follows:

	2014 RMB'000	2013 RMB'000
Non-current assets	**32,022,105**	23,398,403
Current assets	**25,654,402**	22,739,912
Current liabilities	**(31,738,279)**	(28,052,093)
Non-current liabilities	**(3,384,826)**	(1,979,740)
Net assets	**22,553,402**	16,106,482
Proportion of the Group's ownership interest in BMW Brilliance	**50%**	50%
Carrying amount of the Group's interest in BMW Brilliance	**11,276,701**	8,053,241

BMW Brilliance's income, expenses and dividends are as follows:

	2014 RMB'000	2013 RMB'000
Revenue	**94,545,204**	73,172,504
Net profit	**11,071,992**	6,870,586
Other comprehensive (loss) income	**(2,125,072)**	40,890
Total comprehensive income	**8,946,920**	6,911,476
Dividends	**2,500,000**	2,000,000

The net assets of Xinguang Brilliance and the Group's share are as follows:

	2014 RMB'000	2013 RMB'000
Net assets	**27,698**	26,630
Proportion of the Group's ownership interest in Xinguang Brilliance	**50%**	50%
Carrying amount of the Group's interest in Xinguang Brilliance	**13,849**	13,315

18. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share of net assets and goodwill				
– Associates listed in Hong Kong	**807,728**	723,595	**–**	–
– Unlisted associates	**665,818**	628,091	**141,183**	141,183
	1,473,546	1,351,686	**141,183**	141,183
Fair value of investment in associates listed in Hong Kong	**772,309**	1,638,832	**–**	–

The Group's interests in associates include goodwill with carrying value of RMB72,799,000 (2013: RMB72,799,000).

The Company's interests in associates represent the cost of investments in 25% and 49% in Shenyang ChenFa Automobile Component Co., Ltd. ("**Shenyang ChenFa**") and Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Shenyang Brilliance Power**"), respectively.

Details of the Group's associates as at 31st December, 2014 and 2013 were as follows:

Name of company	Place of principal operations and establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/ voting right held directly	Percentage of effective equity interest/voting right held indirectly	Principal activities
Xinchen China Power Holdings Limited ("**Power Xinchen**")	Cayman Islands	HK$12,874,078	Company with limited liability	–	31.07%	Investment holding
Southern State Investment Limited ("**Southern State**")	British Virgin Islands	US$1	Company with limited liability	–	31.07%	Investment holding
Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**")	Mianyang, the PRC	US$100,000,000	Wholly foreign owned enterprise	–	31.07%	Development, manufacture and sale of automotive engines
Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. ("**Shenyang Aerospace**") *(Note)*	Shenyang, the PRC	RMB738,250,000	Equity joint venture	–	14.43%	Manufacture and sale of automotive engines
Shenyang JinBei Vehicle Dies Manufacturing Co., Ltd.	Shenyang, the PRC	RMB29,900,000	Equity joint venture	–	48%	Manufacture and sale of automotive components
Shenyang ChenFa	Shenyang, the PRC	US$19,000,000	Equity joint venture	25%	–	Development, manufacture and sale of engines and engine components
Shenyang Brilliance Power	Shenyang, the PRC	US$29,900,000	Equity joint venture	49%	–	Manufacture and sale of power trains

Note: The Group has effective equity interest of 14.43% in Shenyang Aerospace through an indirect 21% equity interest held by Shenyang Jianhua (20% and 80% equity interest in Shenyang Jianhua were held by Xing Yuan Dong, a wholly-owned subsidiary of the Company, and Shenyang Automotive, a 60.9% owned subsidiary of the Company, respectively).

18. INTERESTS IN ASSOCIATES (Cont'd)

Aggregate financial information of the associates for the year ended 31st December, 2014 is summarised as follows:

	2014 RMB'000	2013 RMB'000
Non-current assets	**2,987,251**	2,112,587
Current assets	**6,735,562**	7,327,332
Current liabilities	**(4,006,005)**	(4,557,831)
Non-current liabilities	**(506,957)**	(130,658)
Net assets	**5,209,851**	4,751,430
Revenue	**9,376,397**	8,501,782
Net profit	**946,039**	775,373
Net profit and other comprehensive income attributable to the Group	**228,892**	193,114
Dividends	**500,000**	400,000

19. PREPAYMENTS FOR LONG-TERM INVESTMENTS

	The Group		**The Company**	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Prepayments for indirect investment in JinBei *(Note 1)*	**600,000**	600,000	**–**	–
Prepayment for investment in a new subsidiary *(Note 2)*	**440,000**	–	**440,000**	–
	1,040,000	600,000	**440,000**	–

Note 1: The Group entered into two agreements in 2003 to acquire effectively in aggregate the indirect equity interest of 33.35% in JinBei, a company listed on the Shanghai Stock Exchange, for a consideration of RMB600 million.

Although the acquisitions have been approved by State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government and the State-Owned Assets Supervision and Administration Commission of the State Council, the acquisitions are still subject to the granting of a waiver by the China Securities Regulatory Commission.

As at 31st December, 2014 and 2013, the consideration of RMB600 million paid was recorded as prepayments for a long-term investment. The directors have assessed the fair value of the underlying shares of JinBei and are satisfied that the recoverability of the prepayments is supported by the underlying shares of JinBei.

The directors are currently evaluating market situation and considering potential options for this investment in light of the Group's latest strategy and future plans.

Note 2: The prepayment of RMB440,000,000 represents the amount deposited in a designated bank account for capital inspection in relation to the Company's investment in 55% of the registered capital of RMB800,000,000 of Brilliance-BEA Auto Finance Co., Ltd, a wholly foreign owned enterprise in the PRC with the intended principal activity of provision of auto financing in the PRC. The other shareholders include the subsidiaries of The Bank of East Asia, Limited and CaixaBank, S.A.

The management expects the PRC government's approval for the set up of this new subsidiary to be granted in the first half of 2015.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Equity investments				
– Unlisted, at cost	**4,138**	4,138	**–**	–
– Listed in Hong Kong, at fair value	**27,850**	15,542	**27,850**	15,542
At 31st December,	**31,988**	19,680	**27,850**	15,542

The unlisted equity investments are stated at cost less provision for impairment as they do not have a quoted market price in an active market. The directors are of the opinion that the carrying amounts of the unlisted equity investments approximate their fair value. The Group does not intend to dispose of this unlisted equity investment and will hold it for a long term purpose.

The Company's available-for-sale financial assets represent the same equity investment listed in Hong Kong with a fair value of RMB27,850,000 (2013: RMB15,542,000) as set out above.

21. PLEDGED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits as at 31st December, 2014 were pledged for the following purposes:

	2014	2013
	RMB'000	RMB'000
Issue of bank guaranteed notes to trade creditors *(Note)*	**990,592**	828,939
Bank loans granted to JinBei *(Note 34(a))*	**210,530**	210,530
	1,201,122	1,039,469

Note: In addition to short-term bank deposits, as at 31st December, 2014, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB115 million (2013: RMB191 million) for issue of bank guaranteed notes.

22. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**323,039**	330,908
Work-in-progress	**193,311**	123,917
Finished goods	**352,600**	439,447
	868,950	894,272
Less: provision for inventories	**(72,366)**	(124,837)
	796,584	769,435

As at 31st December, 2014, the carrying amount of inventories that were stated at net realisable value amounted to approximately RMB122 million (2013: RMB35 million).

The reconciliation of provision for inventories in the year is as follows:

	2014 RMB'000	2013 RMB'000
At 1st January,	**124,837**	88,424
Obsolete inventories written off	**–**	(32)
Provision for the year	**23,618**	46,842
Reversal for the year	**(76,089)**	(10,397)
At 31st December,	**72,366**	124,837

The reversal of provision for inventories represents the reversal for provision previously recognised for inventories that were sold during the year (2013: Same).

23. ACCOUNTS RECEIVABLE

	Note	2014 RMB'000	2013 RMB'000
Accounts receivable	23(a)	**839,171**	507,625
Accounts receivable from affiliated companies	34(c)	**354,959**	326,835
		1,194,130	834,460

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

	2014 RMB'000	2013 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

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 set out in note 4(a).

The movement in allowance for doubtful debts for accounts receivable during the year, including both specific and collective loss components, is as follows:

	2014 RMB'000	2013 RMB'000
At 1st January,	**20,607**	20,434
Impairment loss recognised	**674**	173
At 31st December,	**21,281**	20,607

The provision for doubtful debts is in respect of accounts receivable that were individually determined to be impaired. These impaired accounts receivable relate to customers that were in financial difficulties and management assessed that the impaired amounts will not be recoverable. Consequently, specific allowance for doubtful debts for the full amount of each of the impaired receivables was recognised.

23. ACCOUNTS RECEIVABLE (Cont'd)

(a) (Cont'd)

The aging analysis of the Group's accounts receivable that are past due but neither individually nor collectively considered to be impaired are as follows:

	2014 **RMB'000**	2013 RMB'000
Six months to one year	**196,499**	39,093
Above one year but less than two years	**81,899**	133
Two years or above	**3,578**	3,858
	281,976	43,084

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. These balances were either settled subsequent to 31st December, 2014 and up to the date of these financial statements or based on past experience, management believes that no impairment allowance is necessary in respect of the remaining unsettled balances as there has not been a significant change in credit quality and these balances are still considered fully recoverable.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The Group does not hold any collateral over the accounts receivable.

24. NOTES RECEIVABLE

	Note	**2014** **RMB'000**	2013 RMB'000
Notes receivable	24(a)	**166,182**	371,126
Notes receivable from affiliated companies	34(d)	**603,492**	1,014,133
		769,674	1,385,259

(a) All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 31st December, 2014, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 31st December, 2014 (2013: Same).

25. OTHER CURRENT ASSETS

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Other receivables	25(a)	**404,883**	400,803	**2,514**	2,415
Prepayments and other current assets		**80,358**	72,566	**1,358**	1,320
Other taxes recoverable		**72,432**	726	**–**	–
Amounts due from affiliated companies	34(e)	**500,900**	944,087	**383,066**	485,531
		1,058,573	1,418,182	**386,938**	489,266

(a)

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance to SAIAM	**300,000**	300,000	**–**	–
Others	**193,400**	200,177	**2,514**	2,415
	493,400	500,177	**2,514**	2,415
Less: provision for doubtful debts	**(88,517)**	(99,374)	**–**	–
At 31st December,	**404,883**	400,803	**2,514**	2,415

All other receivables are denominated in Renminbi. SAIAM is one of the companies the Group will acquire for the purpose of acquiring equity interests of JinBei as set out in note 19. SAIAM holds 24.38% of JinBei. The amount advanced to SAIAM will be settled upon the completion of the acquisition. In view of the substantial assets in JinBei possessed by SAIAM, the management considers the credit risk in recovering this amount is minimal.

The other items in other receivables mainly represent prepayments and deposits paid and advanced to other parties. The management considers the credit risks for the balances after the provision of impairment for doubtful debts detailed below to be minimal as these items are considered insignificant in amounts individually, and are recovered very shortly after they are incurred.

25. OTHER CURRENT ASSETS (Cont'd)

(a) (Cont'd)

The movement in allowance for doubtful debts for other receivables during the year, including both specific and collective loss components, is as follows:

	2014 RMB'000	2013 RMB'000
At 1st January,	**99,374**	93,348
Impairment loss recognised	**18,967**	6,034
Uncollectible amounts written off	**(29,755)**	–
Write-back of previously recognised impairment losses	**(69)**	(8)
At 31st December,	**88,517**	99,374

As at 31st December, 2014, the Group's other receivables of RMB88,517,000 (2013: RMB99,374,000) was individually determined to be impaired. The individual impaired receivables related to debtors that were in financial difficulties and management assessed that the impaired amounts will not be recoverable. Consequently, specific allowance for doubtful debts for the full amounts of the impaired receivables was recognised. The Group does not hold any collateral over the other receivables.

26. ACCOUNTS PAYABLE

	Note	2014 RMB'000	2013 RMB'000
Accounts payable	26(a)	**1,708,665**	1,650,088
Accounts payable to affiliated companies	34(f)	**1,254,688**	1,340,539
		2,963,353	2,990,627

(a) 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.

27. NOTES PAYABLE

	Note	2014 RMB'000	2013 RMB'000
Notes payable		**1,806,510**	1,284,357
Notes payable to affiliated companies	34(g)	**51,500**	13,896
		1,858,010	1,298,253

28. OTHER CURRENT LIABILITIES

		The Group		The Company	
	Note	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Customer advances		**43,936**	76,088	**–**	–
Other payables		**685,872**	548,909	**2,589**	2,577
Accrued expenses and other current liabilities		**65,612**	63,400	**1,936**	2,284
Other taxes payable		**58,303**	88,793	**–**	–
Provision for warranty		**16,355**	14,616	**–**	–
Deferred government grants		**4,879**	–	**–**	–
Amounts due to affiliated companies	34(h)	**41,219**	148,420	**5,033**	5,047
		916,176	940,226	**9,558**	9,908

29. SHORT-TERM BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Secured bank borrowings	**65,000**	88,200
Unsecured bank borrowings	**1,300,000**	1,440,000
	1,365,000	1,528,200

All short-term bank borrowings at 31st December, 2014 are interest-bearing at rates ranging from 5.6% to 7.2% per annum (2013: 5.6% to 6.9% per annum) and repayable from 9th January, 2015 to 7th November, 2015 (2013: 8th January, 2014 to 13th November, 2014).

As at 31st December, 2014, these bank borrowings are secured by the Group's buildings with net book values of approximately RMB54.5 million (2013: RMB47.9 million). As at 31st December, 2013, notes receivable of RMB60 million were also pledged for the bank borrowings.

30. DEFERRED TAX ASSET

As at 31st December, 2014, the Group had unrecognised deferred tax asset in respect of tax losses of RMB754 million (2013: RMB3,816 million) which will expire at various dates up to and including 2019 (2013: 2018).

In addition, as at 31st December, 2014 the Group also had not recognised deferred tax asset in respect of temporary differences of RMB727 million (2013: RMB666 million) for the reason that it is uncertain as to their recoverability.

31. RETIREMENT PLAN AND EMPLOYEES' BENEFITS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 21% (2013: 12% to 21%) of salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's Hong Kong employees are covered by the mandatory provident fund which is managed by an independent trustee. The Group and its Hong Kong employees each makes monthly mandatory contributions to the scheme at 5% (2013: 5%) of the employees' salary with the maximum amount of HK$1,500 by each of the Group and the employee per month. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the fund.

The Group's contributions for staff in Hong Kong and the PRC for the year ended 31st December, 2014 were approximately RMB56.5 million (2013: RMB52.5 million).

32. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	2014		2013	
	Number of shares ’000	**Amount ’000**	Number of shares ’000	Amount ’000
Authorised:				
Ordinary shares at par value of US$0.01 each				
As at 1st January, and 31st December,	**8,000,000**	**US$80,000**	8,000,000	US$80,000
Issued and fully paid:				
Ordinary shares at par value of US$0.01 each				
As at 1st January, and 31st December,	**5,025,769**	**RMB395,877**	5,025,769	RMB395,877

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages securely afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions, including adjustments to the amount of dividends paid to shareholders, issue of new shares and return of capital to shareholders, etc.

32. SHARE CAPITAL AND SHARE OPTIONS (Cont'd)

(b) Capital management (Cont'd)

Management monitors its capital structure on the basis of debt-to-equity ratio. For this purpose, the Group defines debt as the sum of all short-term debts and long-term debts, including bank borrowings, notes payable for financing purpose and amounts due to affiliated companies. As at 31st December, 2014, the Group's debt-to-equity ratio was 12.11% (2013: 19.01%).

The debt-to-equity ratio at the reporting date was:

	The Group		The Company	
	As at 31st December, 2014 RMB'000	As at 31st December, 2013 RMB'000	**As at 31st December, 2014 RMB'000**	As at 31st December, 2013 RMB'000
Short-term bank borrowings	**1,365,000**	1,528,200	**–**	–
Amounts due to affiliated companies	**41,219**	148,420	**5,033**	5,047
Notes payable for financing purpose	**525,208**	630,365	**–**	–
Total debt	**1,931,427**	2,306,985	**5,033**	5,047
Total equity	**15,953,933**	12,141,345	**5,065,511**	4,811,269
Debt-to-equity ratio	**12.11%**	19.01%	**0.10%**	0.10%

(c) Share options

On 11th November, 2008, the Company adopted a share option scheme ("**Share Option Scheme**").

The terms of the Share Option Scheme allow for the Company's board of directors to grant options to the participants (including the Group's employees, non-executive directors, suppliers and customers, etc.) to subscribe for the Company's shares at a price which should not be lower than the higher of:

(i) the closing price of the shares on the SEHK as stated in SEHK's quotation sheet on the date of grant, which must be a trading date;

(ii) the average closing price of the shares on the SEHK as stated in SEHK's quotation sheets for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of the shares.

In addition, the Share Option Scheme refines the scope of participants such that directors are provided with flexibility in granting options to persons who have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest (the "**Invested Entity**"). In addition, the Share Option Scheme clarifies the circumstances under which options granted to non-employees of the Group or Invested Entities will lapse.

There was no grant, lapse or exercise of the Company' share options during the year (2013: Same) and therefore the 21,000,000 share options with exercise price at HK$0.438 and exercisable from 22nd December, 2008 to 21st December, 2018 remained unchanged and outstanding during the year and as at 31st December, 2014.

The weighted average remaining contractual life of the share options granted under the Share Option Scheme outstanding as at 31st December, 2014 was approximately 3.58 years (2013: 4.58 years).

33. RESERVES

The Group

	Hedging reserve RMB'000 *(Note c)*	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustment reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000 *(Note b)*	Retained earnings RMB'000 *(Note a)*	Total RMB'000
At 1st January, 2013	173,160	2,466,685	4,267	39,179	(537,584)	3,401	120,000	7,349,581	9,618,689
Dividends	–	–	–	–	–	–	–	(393,711)	(393,711)
Total comprehensive income	20,445	–	(220)	–	–	–	–	3,374,200	3,394,425
At 31st December, 2013	193,605	2,466,685	4,047	39,179	(537,584)	3,401	120,000	10,330,070	12,619,403
At 1st January, 2014	**193,605**	**2,466,685**	**4,047**	**39,179**	**(537,584)**	**3,401**	**120,000**	**10,330,070**	**12,619,403**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(437,153)**	**(437,153)**
Total comprehensive (loss) income	**(1,062,536)**	**–**	**12,308**	**–**	**–**	**–**	**–**	**5,403,434**	**4,353,206**
At 31st December, 2014	**(868,931)**	**2,466,685**	**16,355**	**39,179**	**(537,584)**	**3,401**	**120,000**	**15,296,351**	**16,535,456**

(a) The Group's retained earnings included an amount of approximately RMB1,511,764,000 (2013: RMB1,198,000,000) reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

(b) In 2003, as approved by the board of directors of Xing Yuan Dong in accordance with the relevant laws and regulations, dedicated capital of Xing Yuan Dong amounting to RMB120 million was released for capitalisation of paid up registered capital. Such release of dedicated capital is credited to the capital reserve.

(c) Hedging reserve represents the Group's share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.

33. RESERVES (Cont'd)

The Company

	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1st January, 2013	2,466,685	4,267	39,179	3,401	1,916,751	4,430,283
Dividends	–	–	–	–	(393,711)	(393,711)
Total comprehensive (loss) profit	–	(220)	–	–	379,040	378,820
As at 31st December, 2013	2,466,685	4,047	39,179	3,401	1,902,080	4,415,392

	Share premium RMB'000	**Investment revaluation reserve RMB'000**	**Cumulative translation adjustments reserve RMB'000**	**Share option reserve RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
As at 1st January, 2014	**2,466,685**	**4,047**	**39,179**	**3,401**	**1,902,080**	**4,415,392**
Dividends	**–**	**–**	**–**	**–**	**(437,153)**	**(437,153)**
Total comprehensive income	**–**	**12,308**	**–**	**–**	**679,087**	**691,395**
As at 31st December, 2014	**2,466,685**	**16,355**	**39,179**	**3,401**	**2,144,014**	**4,669,634**

The directors consider that the Company had approximately RMB2,183.2 million (2013: RMB1,941.2 million) available for distribution to shareholders.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

Related parties include those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("**government-related entities**") are regarded as related parties of the Group.

For the related party transactions disclosure purpose, an affiliated company is a company in which one or more of the directors or substantial shareholders of the Company have direct or indirect beneficial interests in the company or are in a position to exercise significant influence over the company, including joint ventures and associates of the Group. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other government-related entities.

During the year, the Group had significant transactions and balances with the following related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

Name and relationship

Name	Relationship
Huachen	Major shareholder of the Company
JinBei	A shareholder of Shenyang Automotive
Shanghai Shenhua	Common directorship of certain directors of the Company
Brilliance Holdings Limited ("**BHL**")	Common directorship of a director of the Company

Huachen and JinBei are PRC government-related entities, and are connected persons of the Company under the Listing Rules, with which the Group has material transactions.

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(a) The related party transactions in respect of items listed below also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Particulars of the connected transactions and continuing connected transactions are detailed in the Report of the Directors.

	2014	2013
	RMB'000	RMB'000
Sales of goods:		
– Affiliated companies of JinBei	**1,760**	2,015
– Huachen and its affiliated companies	**535,325**	948,243
Purchases of goods:		
– Affiliated companies of JinBei	**519,862**	570,041
– Huachen and its affiliated company	**622,624**	809,453
Sub-contracting charges to:		
– Huachen and its affiliated company	**25,253**	30,813

On 17th December, 2013, a member of the Group and 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 to the above, during the year, the Company incurred operating lease rental on land and buildings of RMB4,044,000 (2013: RMB4,954,000) to Huachen. This transaction constitutes a continuing connected transaction but is exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(b) In addition to the above, the Group also had the following material related party transactions:

	2014 **RMB'000**	2013 RMB'000
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	**2,776,654**	2,748,681
– Joint ventures	**8,726**	10,728
– Associates	**123,048**	132,360
Purchases of goods:		
– Joint ventures	**174,223**	199,711
– Associates	**482,739**	492,924
– An affiliated company of Shanghai Shenhua	**8,683**	5,488
– An affiliated company of the joint venture partner of Xinguang Brilliance	**–**	3
Other transactions:		
Interest from Xinhua Investment Holdings Limited ("**Xinhua Investment**")	**8,154**	8,213
Operating lease rental on land and buildings charged by Shanghai Shenhua	**592**	593

The above sale and purchase transactions were carried out after negotiations between the Group and the affiliated companies in the ordinary course of business and on the basis of estimated market value as determined by the directors.

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. As at 31st December, 2014, RMB60 million (As at 31st December, 2013: RMB60 million) of this corporate guarantee was utilised by Shanghai Shenhua.

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) As at 31st December, 2014, the Group's accounts receivable from affiliated companies consisted of the following:

	2014	2013
	RMB'000	RMB'000
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	**10,416**	10,416
– Affiliated companies of JinBei	**51,169**	11,713
– Huachen and its affiliated companies	**293,998**	289,520
– Associates	**12,400**	25,826
– Joint ventures	**7,385**	10,287
– Affiliated companies of a shareholder of a joint venture	**979**	461
	376,347	348,223
Less: provision for doubtful debts	**(21,388)**	(21,388)
	354,959	326,835

The Group's credit policy is to offer credit to affiliated companies following financial assessment and an established payment record. These affiliated companies are generally required to settle 25% to 33% of the previous month's ending balances. The aging analysis of amounts due from affiliated companies based on invoice date is as follows:

	2014	2013
	RMB'000	RMB'000
Less than six months	**90,249**	217,767
Six months to one year	**167,711**	24,071
Above one year but less than two years	**86,819**	74,259
Two years or above	**31,568**	32,126
	376,347	348,223

The aging analysis of the Group's accounts receivable from affiliated companies that are past due but are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	RMB'000	RMB'000
Six months to one year	**167,711**	24,071
Above one year but less than two years	**86,819**	74,259
Two years or above	**10,180**	10,738
	264,710	109,068

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) (Cont'd)

As at 31st December, 2014, the Group's accounts receivable from affiliated companies of RMB21,388,000 (2013: RMB21,388,000) was individually determined to be impaired. The individually impaired accounts receivable from affiliated companies related to affiliated companies which failed to settle the outstanding balances in full and management assessed that the impaired amounts will not be recoverable. Consequently, specific allowance for doubtful debts of full amounts of the impaired receivables was recognised.

The remaining past due accounts receivable from affiliated companies which are not impaired relate to a number of other affiliated companies which have been repaying the Group but at a slow pace. As they are still settling the outstanding balances, management believes that no impairment allowance is necessary in respect of these balances.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The Group does not hold any collateral over the accounts receivable from affiliated companies.

(d) As at 31st December, 2014, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	2014 **RMB'000**	2013 RMB'000
Notes receivable from related parties:		
– Affiliated companies of JinBei	**523**	3,369
– Shanghai Shenhua and its affiliated companies	**528,148**	818,456
– Associates	**13,810**	84,549
– A joint venture	**2,340**	–
– Huachen and its affiliated company	**58,671**	106,998
– An affiliated company of a shareholder of a joint venture	**–**	761
	603,492	1,014,133

All notes receivable from affiliated companies are guaranteed by established banks in the PRC and have maturities of six months or less from 31st December, 2014 (2013: Same).

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) As at 31st December, 2014, the amounts due from affiliated companies consisted of:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from related parties:				
– Joint ventures	**95,880**	97,191	**–**	–
– Associates	**85,361**	197,292	**85,362**	197,292
– Shanghai Shenhua	**14,050**	14,048	**–**	–
– Huachen and its affiliated companies	**40,501**	349,287	**–**	–
– Xinhua Investment	**297,704**	288,239	**297,704**	288,239
– JinBei and its affiliated companies	**59,552**	54,005	**–**	–
	593,048	1,000,062	**383,066**	485,531
Less: provision for doubtful debts	**(92,148)**	(55,975)	**–**	–
	500,900	944,087	**383,066**	485,531

Amounts due from affiliated companies are unsecured and repayable on demand and except for the amount due from Xinhua Investment, a shareholder of Power Xinchen, which is secured by all assets of Xinhua Investment, interest-bearing at 3% per annum and repayable in August 2015.

The movement in allowance for doubtful debts for the amounts due from affiliated companies is as follows:

	2014	2013
	RMB'000	RMB'000
At 1st January,	**55,975**	15,975
Impairment losses recognised	**36,173**	40,000
At 31st December,	**92,148**	55,975

After the provision for amounts long overdue from affiliated companies, the unprovided balances are either from affiliated companies which had made repayments during the year or up to the date of these financial statements, or those that management has assessed to be financially sound and are capable of repaying. Accordingly, the management believes that no impairment allowance is necessary in respect of these balances. The Group does not hold any collateral over the advances to affiliated companies.

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) (Cont'd)

The aging analysis of the Group's other receivables from affiliated companies that are past due but are neither individually nor collectively considered to be impaired are as follows:

	2014 **RMB'000**	2013 RMB'000
Six months to one year	**31,251**	11,128
Above one year but less than two years	**4,362**	8,969
Two years or above	**376,810**	510,497
	412,423	530,594

(f) As at 31st December, 2014, the Group's accounts payable to affiliated companies arising from trading activities consisted of the following:

	2014 **RMB'000**	2013 RMB'000
Due to related parties:		
– Associates	**420,072**	402,601
– A joint venture	**83,657**	104,882
– Huachen and its affiliated companies	**307,889**	415,843
– An affiliated company of BHL	**33,719**	33,829
– Shanghai Shenhua and its affiliated companies	**160,666**	104,452
– Affiliated companies of JinBei	**248,682**	278,929
– Affiliated companies of a shareholder of a joint venture	**3**	3
	1,254,688	1,340,539

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(f) (Cont'd)

The accounts payable to affiliated companies are unsecured and non-interest bearing. Accounts payable to affiliated companies are generally settled on a monthly basis at 25% to 33% of the previous month's ending balance. The aging analysis of accounts payable to affiliated companies based on invoice date is as follows:

	2014 **RMB'000**	2013 RMB'000
Less than six months	**1,152,631**	1,152,712
Six months to one year	**29,768**	90,023
Above one year but less than two years	**20,911**	56,468
Two years or above	**51,378**	41,336
	1,254,688	1,340,539

(g) As at 31st December, 2014, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	2014 **RMB'000**	2013 RMB'000
Notes payable to related parties:		
– Affiliated companies of JinBei	**27,500**	6,856
– A joint venture	**19,000**	–
– Associates	**5,000**	7,040
	51,500	13,896

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(h) As at 31st December, 2014, the amounts due to affiliated companies by the Group and the Company consisted of:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to related parties:				
– Associates	**2,617**	114,218	**–**	–
– Huachen and its affiliated companies	**774**	774	**–**	–
– Affiliated companies of BHL	**27,933**	27,947	**5,033**	5,047
– Affiliated companies of Shanghai Shenhua	**7,145**	3,895	**–**	–
– JinBei and its affiliates	**2,730**	1,566	**–**	–
– Other affiliated company	**20**	20	**–**	–
	41,219	148,420	**5,033**	5,047

Amounts due to affiliated companies by the Group and the Company are unsecured, non-interest bearing and repayable on demand.

(i) Pursuant to a trademark license agreement, JinBei granted Shenyang Automotive the right to use the JinBei trademark on its products and marketing materials indefinitely.

(j) Compensation benefits to key management personnel are as follows:

	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	**17,983**	18,362

(k) Transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by government-related entities. During the year, the Group had entered into various transactions with government-related entities including, but not limited to, sales of minibuses and automotive components, purchases of raw materials and automotive components, and utilities services.

The directors consider that transactions with other government-related entities are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other government-related entities are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are government related entities. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with government-related entities as disclosed above and majority parts of bank balances, short-term and pledged short-term deposits with and bank borrowings from state-owned financial institutions. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

35. CASH GENERATED FROM (USED IN) OPERATIONS

	2014 RMB'000	2013 RMB'000
Profit before income tax expense	5,342,882	3,324,729
Share of results of:		
– Joint ventures	(5,536,777)	(3,448,343)
– Associates	(228,892)	(193,114)
Interest income	(53,607)	(46,868)
Interest expense	156,313	138,568
Gain on deemed disposal of a joint venture	–	(9,961)
Write back of provision for inventories sold	(76,089)	(10,397)
Depreciation of property, plant and equipment	108,215	100,332
Amortisation of intangible assets	29,653	37,375
Impairment loss on intangible assets	–	1,844
Impairment loss on property, plant and equipment	5,461	–
Amortisation of land lease prepayments	1,458	1,458
Loss (Gain) on disposal of property, plant and equipment	553	(46,964)
Deferred income from government grants	(90,975)	(70,369)
Write back of provision for doubtful debts	(69)	(8)
Provision for inventories	23,618	46,842
Provision for doubtful debts on:		
– Accounts receivable	674	173
– Other receivables	18,967	6,034
– Amounts due from affiliated companies	36,173	40,000
Operating loss before working capital change	(262,442)	(128,669)
Decrease in inventories	27,601	42,044
Increase in accounts receivable	(360,344)	(333,914)
Decrease (Increase) in notes receivable	615,585	(82,812)
Increase in other current assets	(20,265)	(4,839)
Increase in accounts payable	172,726	448,040
Increase (Decrease) in notes payable	664,914	(151,575)
(Decrease) Increase in other current liabilities	(70,962)	27,667
Cash generated from (used in) operations	766,813	(184,058)

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group had signed an agreement with Huachen to offset the Group's accounts receivable of RMB200,000,000 from Huachen to amount payable to Huachen by the Group for the same amount. In addition, the Group also signed another agreement with Shenyang ChenFa to offset the Group's amount receivable of RMB112,241,000 from Shenyang ChenFa to amount payable to Shenyang ChenFa by the Group for the same amount. These transactions involved no cash during the year.

37. COMMITMENTS

(a) Capital commitments

	2014 RMB'000	2013 RMB'000
Contracted but not provided for:		
– Construction projects	**127,001**	113,630
– Acquisition of plant and machinery	**386,735**	457,603
– Others	**14,749**	35,583
	528,485	606,816
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	**346,569**	309,678

(b) Operating lease commitments

As at 31st December, 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**16,290**	22,065
In the second to fifth years inclusive	**28,653**	26,666
Over five years	**17,048**	19,007
	61,991	67,738

38. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 43 to 112 were approved and authorised for issue by the board of directors on 26th March, 2015.