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Brilliance Auto

華 晨 汽 車

BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華 晨 中 國 汽 車 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

The board of directors (the “**Board**”) of Brilliance China Automotive Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31st December, 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

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

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Continuing operations			
Turnover	3	6,148,962	5,472,738
Cost of sales		<u>(5,293,719)</u>	<u>(4,785,977)</u>
Gross profit		855,243	686,761
Other revenue	3	154,467	101,635
Interest income	3	31,107	38,267
Selling expenses		(310,046)	(178,924)
General and administrative expenses		(331,016)	(282,945)
Staff share option costs		—	(9,205)
Other operating expenses		(42,596)	(40,227)
Finance costs, net		(94,183)	(100,488)
Share of results of:			
Associates		22,004	20,262
Jointly controlled entities		354,276	265,056
Impairment losses on assets		(644,243)	(50,758)
Fair value gain on embedded derivative components of convertible bonds		<u>—</u>	<u>289,700</u>

	<i>Note</i>	2009 RMB'000	2008 <i>RMB'000</i> (Restated)
(Loss) Profit before income tax expense from continuing operations	4	(4,987)	739,134
Income tax expense	5	<u>(40,989)</u>	<u>(55,267)</u>
(Loss) Profit for the year from continuing operations		(45,976)	683,867
<i>Discontinued operations</i>			
Loss for the year from discontinued operations	6	<u>(2,698,216)</u>	<u>(998,178)</u>
Loss for the year		<u>(2,744,192)</u>	<u>(314,311)</u>
Attributable to:			
Equity holders of the Company		(1,639,835)	80,929
Non-controlling interests		<u>(1,104,357)</u>	<u>(395,240)</u>
		<u>(2,744,192)</u>	<u>(314,311)</u>
(Loss) Earnings per share	7		
<i>Continuing and discontinued operations</i>			
— Basic		<u>RMB(0.36603)</u>	<u>RMB0.02205</u>
— Diluted		<u>N/A</u>	<u>RMB0.02203</u>
<i>Continuing operations</i>			
— Basic		<u>RMB(0.03588)</u>	<u>RMB0.16174</u>
— Diluted		<u>N/A</u>	<u>RMB0.16160</u>
<i>Discontinued operations</i>			
— Basic		<u>RMB(0.33015)</u>	<u>RMB(0.13969)</u>
— Diluted		<u>N/A</u>	<u>RMB(0.13957)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Loss for the year	<u>(2,744,192)</u>	<u>(314,311)</u>
Other comprehensive income, net of tax		
Change in fair value of available-for-sale financial assets	22,067	(10,496)
Share of other comprehensive income of a jointly controlled entity	92,383	(96,270)
Transfer to profit or loss on impairment losses on available-for-sale financial assets	<u>—</u>	<u>18,868</u>
	<u>114,450</u>	<u>(87,898)</u>
Total comprehensive income for the year	<u><u>(2,629,742)</u></u>	<u><u>(402,209)</u></u>
Attributable to:		
Equity holders of the Company	(1,526,309)	(6,006)
Non-controlling interests	<u>(1,103,433)</u>	<u>(396,203)</u>
	<u><u>(2,629,742)</u></u>	<u><u>(402,209)</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31st December

	<i>Note</i>	2009 RMB'000	2008 RMB'000
Non-current assets			
Intangible assets		163,743	1,075,393
Goodwill		—	295,529
Property, plant and equipment		1,263,040	3,881,856
Construction-in-progress		79,092	264,482
Land lease prepayments		69,044	115,104
Interests in associates		504,106	393,052
Interests in jointly controlled entities		1,751,854	1,381,024
Prepayments for a long-term investment		600,000	600,000
Available-for-sale financial assets		37,700	15,633
Advances to an affiliated company		—	51,470
Receivable for disposal of discontinued operations		415,183	—
Other non-current assets		10,415	10,435
		<hr/> 4,894,177	<hr/> 8,083,978
Total non-current assets			
Current assets			
Cash and cash equivalents		1,608,911	1,243,861
Short-term bank deposits		213,341	692,000
Pledged short-term bank deposits		1,056,071	2,456,095
Inventories		1,350,299	1,869,202
Accounts receivable	8	95,132	671,680
Accounts receivable from affiliated companies		832,341	259,208
Notes receivable		305,511	707,363
Notes receivable from affiliated companies		28,450	205,199
Other receivables		622,294	465,397
Dividends receivable from affiliated companies		94,968	86,673
Prepayments and other current assets		241,665	373,944
Income tax recoverable		25	—
Other taxes recoverable		18,677	27,693
Advances to affiliated companies		103,188	172,747
		<hr/> 6,570,873	<hr/> 9,231,062
Total current assets			

	<i>Note</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current liabilities			
Accounts payable	9	1,486,750	2,323,702
Accounts payable to affiliated companies		854,629	603,416
Notes payable		1,092,676	4,803,364
Notes payable to affiliated companies		112,385	43,863
Customer advances		922,080	354,768
Other payables		815,453	773,232
Dividends payable		2,879	2,882
Accrued expenses and other current liabilities		131,955	57,381
Short-term bank borrowings		723,000	499,781
Income tax payable		37,822	25,867
Other taxes payable		41,971	84,540
Advances from affiliated companies		1,090,181	73,123
Convertible bonds		—	1,403,248
Total current liabilities		<u>7,311,781</u>	<u>11,049,167</u>
Net current liabilities		<u>(740,908)</u>	<u>(1,818,105)</u>
Total assets less current liabilities		<u>4,153,269</u>	<u>6,265,873</u>
Non-current liabilities			
Deferred government grants		24,688	79,460
Advances from affiliated companies		400,000	319,158
Total non-current liabilities		<u>424,688</u>	<u>398,618</u>
NET ASSETS		<u>3,728,581</u>	<u>5,867,255</u>
Capital and reserves			
Share capital		393,283	303,488
Reserves		4,628,730	5,750,234
Total equity attributable to equity holders of the Company		5,022,013	6,053,722
Non-controlling interests		<u>(1,293,432)</u>	<u>(186,467)</u>
TOTAL EQUITY		<u>3,728,581</u>	<u>5,867,255</u>

NOTES:

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's shares are traded on The Stock Exchange of Hong Kong Limited (the "SEHK").

The Company's American depositary shares ("ADSs") were delisted from The New York Stock Exchange Inc. on 26th July, 2007 and the ordinary shares underlying its ADSs were also de-registered under the United States Securities Exchange Act of 1934, as amended, on 1st June, 2009.

The decision to de-register was reached in view of low trading volume of the Company's ADSs and the increase in administrative costs and human resources required to comply with the US reporting and registration obligations. The Company's ordinary shares continue to be listed and traded on the main board of the SEHK after the de-registration.

The Company is an investment holding company. Prior to the completion of the disposal of the Zhonghua sedan business on 31st December, 2009, the principal activities of the Company's subsidiaries are the manufacture and sale of minibuses, sedans and automotive components in the People's Republic of China (the "PRC").

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 include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

These financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2008 financial statements, except for the adoption for the first time the following new HKFRSs, amendments to HKFRSs and interpretations:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2008
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKAS 39 (Amendments)	Financial Instruments — "Recognition and Measurement" — Embedded Derivatives

In addition, the Group also elects to early adopt the following HKFRSs, which are to be effective for financial periods beginning on or after 1st July, 2009, in the preparation of financial statements for the year:

HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 38 (Amendment)	Intangible Assets

The adoption of these new HKFRSs, amendments to HKFRSs and interpretations had no material effect on the results and financial position of the Group for the current or prior years, except for the Group's recognition of a deficit balance on the non-controlling interests as at 31st December, 2009.

(b) Basis of measurement

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

(c) Preparation of financial statements

At 31st December, 2009, the Group had net current liabilities of approximately RMB741 million. Notwithstanding the net loss of RMB2,744 million (which included loss from discontinued operations of RMB2,698 million) incurred for the year and the Group's current liabilities exceeding its current assets at 31st December, 2009, 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.

The Group had disposed of the loss-making Zhonghua sedan business during the year. After the disposal, the Group will refocus on the minibus operation and the BMW Brilliance joint venture. The management believes the Group will start generating profit and positive cash flows from operating activities so that the Group will be able to operate as a going concern.

At the year end date, the Group had short-term bank borrowings of RMB723 million which are renewable on an yearly basis. Management is confident that these borrowings can be renewed on their expiry and to date has secured the renewal of approximately RMB40 million of these borrowings as well as new bank borrowings of RMB80 million.

In addition, Huachen Automotive Group Holdings Company Limited (“**Huachen**”), the ultimate holding company of the Company, has also agreed to provide adequate funds to the Group, if necessary, to meet its liabilities as they fall due. The directors consider that the Group will have sufficient cash resources to satisfy its future working capital needs and other financing requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Turnover						
Sale of minibuses and automotive components	6,148,962	5,472,738	—	—	6,148,962	5,472,738
Sale of sedans	<u>—</u>	<u>—</u>	6,240,623	5,716,424	6,240,623	5,716,424
	6,148,962	5,472,738	6,240,623	5,716,424	12,389,585	11,189,162
Other revenue						
Subsidy income	70,980	82,473	74,984	248,555	145,964	331,028
Others	83,487	19,162	101,686	124,729	185,173	143,891
	154,467	101,635	176,670	373,284	331,137	474,919
Interest income	31,107	38,267	34,558	49,737	65,665	88,004
	6,334,536	5,612,640	6,451,851	6,139,445	12,786,387	11,752,085

During 2009, RMB1,434,794,000 or 12% (2008: RMB1,606,958,000 or 14%) of the Group's consolidated revenue depended on a single customer from discontinued operations of Zhonghua sedan business.

Business segments — 2009

	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW sedans <i>RMB'000</i>	Reconciliation to the Group's income statement <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Continuing operations</i>				
Segment sales to external customers	<u>6,148,962</u>	<u>14,674,370</u>	<u>(14,674,370)</u>	<u>6,148,962</u>
Segment results	380,328	751,106	(751,106)	380,328
Impairment losses on assets	(644,243)		—	(644,243)
Unallocated costs net of unallocated income				(54,276)
Interest income				31,107
Finance costs, net				(94,183)
Share of results of:				
Associates	22,004		—	22,004
Jointly controlled entities	(1,015)		355,291	<u>354,276</u>
Loss before income tax expenses from continuing operations				<u>(4,987)</u>

Business segments — 2008

	Manufacture and sale of minibuses and automotive components <i>RMB'000</i> (Restated)	Manufacture and sale of BMW sedans <i>RMB'000</i> (Restated)	Reconciliation to the Group's income statement <i>RMB'000</i> (Restated)	Total <i>RMB'000</i> (Restated)
<i>Continuing operations</i>				
Segment sales to external customers	<u>5,472,738</u>	<u>12,376,440</u>	<u>(12,376,440)</u>	<u>5,472,738</u>
Segment results	344,443	461,300	(461,300)	344,443
Impairment losses on assets	(50,758)		—	(50,758)
Staff share option costs				(9,205)
Unallocated costs net of unallocated income				(58,143)
Interest income				38,267
Finance costs, net				(100,488)
Share of results of:				
Associates	20,262		—	20,262
Jointly controlled entities	9,375		255,681	265,056
Fair value gain on embedded derivative components of convertible bonds				<u>289,700</u>
Profit before income tax expense from continuing operations				<u><u>739,134</u></u>

Business segments — 2009 (Continued)

	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW sedans <i>RMB'000</i>	Reconciliation to the Group's statement of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Continuing operations</i>				
Segment assets	7,197,328	9,153,754	(9,153,754)	7,197,328
Interests in associates	504,106	—	—	504,106
Interests in jointly controlled entities	341,246	—	1,410,608	1,751,854
Unallocated assets				<u>2,011,762</u>
Total assets				<u>11,465,050</u>
Segment liabilities	6,759,016	6,332,538	(6,332,538)	6,759,016
Unallocated liabilities				<u>977,453</u>
Total liabilities				<u>7,736,469</u>
Other disclosures:				
Capital expenditure	252,581	1,243,548	(1,243,548)	252,581
Depreciation of property, plant and equipment	175,508	337,000	(337,000)	175,508
Amortisation of land lease prepayments	3,703	—	—	3,703
Amortisation of intangible assets	26,084	29,807	(29,807)	26,084
Provision of inventories	48,222	13,490	(13,490)	48,222
Write-back of provision for inventories sold	(2,246)	(17,059)	17,059	(2,246)
Write-back of provision for doubtful debts	(8,798)	—	—	(8,798)

Business segments — 2008 (Continued)

	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW sedans <i>RMB'000</i>	Reconciliation to the Group's statement of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Continuing operations</i>				
Segment assets	6,217,539	6,257,312	(6,257,312)	6,217,539
Interests in associates	393,052	—	—	393,052
Interests in jointly controlled entities	339,626	—	1,041,398	1,381,024
Unallocated assets				<u>1,033,124</u>
Total assets of continuing operations				<u>9,024,739</u>
Total assets of discontinued operations				<u>8,290,301</u>
Total assets				<u><u>17,315,040</u></u>
Segment liabilities	4,414,398	4,159,790	(4,159,790)	4,414,398
Unallocated liabilities				<u>1,420,650</u>
Total liabilities of continuing operations				<u>5,835,048</u>
Total liabilities of discontinued operations				<u>5,612,737</u>
Total liabilities				<u><u>11,447,785</u></u>
Other disclosures:				
Capital expenditure	366,233	365,522	(365,522)	366,233
Depreciation of property, plant and equipment	154,104	150,267	(150,267)	154,104
Amortisation of land lease prepayments	1,290	—	—	1,290
Amortisation of intangible assets	10,591	43,870	(43,870)	10,591
Provision of inventories	1,539	13,908	(13,908)	1,539
Write-back of provision for inventories sold	(28,497)	(9,710)	9,710	(28,497)

4. (LOSS) PROFIT BEFORE INCOME TAX EXPENSE

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

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Charging:						
Staff costs	423,222	338,905	225,988	194,075	649,210	532,980
Amortisation of intangible assets (a)	26,084	10,591	104,824	155,957	130,908	166,548
Amortisation of land lease prepayments	3,703	1,290	2,326	2,326	6,029	3,616
Depreciation of property, plant and equipment	175,508	154,104	148,740	120,863	324,248	274,967
Cost of inventories	5,247,743	4,812,935	6,644,130	6,264,209	11,891,873	11,077,144
Provision for inventories	48,222	1,539	108,748	42,579	156,970	44,118
Write-off of advances to an affiliated company	—	—	27,606	—	27,606	—
Impairment losses on:						
— Goodwill	295,529	—	—	—	295,529	—
— Intangible assets	481	—	303,019	184,288	303,500	184,288
— Construction-in-progress	6,628	—	7,853	—	14,481	—
— Property, plant and equipment	7,845	—	19,002	—	26,847	—
— Available-for-sale financial assets	—	18,868	—	—	—	18,868
— Accounts receivable	9,399	—	—	—	9,399	—
— Accounts receivable from affiliated companies	17,957	—	—	—	17,957	—
— Advances to affiliated companies	294,088	—	—	—	294,088	—
— Other receivables	12,316	31,890	—	1,135	12,316	33,025
Auditors' remuneration	2,346	4,031	970	874	3,316	4,905
Research and development costs (b)	27,969	5,331	90,175	3,781	118,144	9,112
Training expenses	870	1,045	446	462	1,316	1,507
Operating lease charges in respect of:						
— Land and buildings	17,730	15,987	1,540	6,331	19,270	22,318
— Machinery and equipment	705	372	—	—	705	372
Exchange loss, net (c)	—	21,990	—	—	—	21,990
Loss on disposal and write-off of property, plant and equipment	495	2,053	2	243	497	2,296

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Crediting:						
Gross rental income from land and buildings	36	—	14,174	14,187	14,210	14,187
Write-back of provision for inventories sold	2,246	28,497	48,227	7,371	50,473	35,868
Gain on disposal of property, plant and equipment	—	—	—	328	—	328
Exchange gain, net (c)	1,319	—	6,299	2,173	7,618	2,173
Write-back of provision for doubtful debts:						
— Accounts receivable	7,275	—	—	670	7,275	670
— Accounts receivable from affiliated companies	—	—	—	240	—	240
— Other receivables	1,523	315	—	3,339	1,523	3,654

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

5. INCOME TAX EXPENSE

Income tax expense on profits arising in the PRC has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The taxation charged to the consolidated income statement represents:

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current tax						
PRC enterprise income tax						
Current year	22,016	44,109	—	—	22,016	44,109
Under provision in prior year	18,973	11,158	—	—	18,973	11,158
Total income tax expense	40,989	55,267	—	—	40,989	55,267

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Loss before income tax expense	<u>(2,703,203)</u>	<u>(259,044)</u>
Calculated at a weighted average statutory taxation rate in the PRC of 19.87% (2008: 21.67%)	(537,040)	(56,124)
Effect of tax holiday	109,415	(3,078)
Non-taxable income net of expenses not deductible for taxation purpose	(70,060)	(55,534)
Unrecognised temporary differences	(175,675)	39,076
Unrecognised tax loss	695,417	119,769
Utilisation of previously unrecognised tax losses	(41)	—
Under provision in prior years	<u>18,973</u>	<u>11,158</u>
Tax expense for the year	<u>40,989</u>	<u>55,267</u>

6. DISCONTINUED OPERATIONS

On 28th October, 2009, the Group entered into a business transfer agreement to sell to Huachen the Zhonghua sedan business at the base value of RMB494,490,168 (equivalent to approximately HK\$561,246,341). The disposal was completed on 31st December, 2009. The final consideration of the said disposal remains at RMB494,490,168.

Although there remains to be long-term potential for the self-developed Zhonghua sedan brand to become profitable when sale volume eventually becomes more robust, further development of this business will require significant additional investment which had resulted in substantial losses in this business in the past. The significant funding requirement also affects the Company's flexibility in making other investments. The disposal of the Zhonghua sedan business would now enable the Company to refocus its management and financial resources on its existing profitable businesses of minibus and the BMW joint venture, as well as to develop other potential new ventures.

An analysis of results of the discontinued operations included in the consolidated income statement is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Turnover	6,240,623	5,716,424
Cost of sales	<u>(6,704,651)</u>	<u>(6,299,417)</u>
Gross loss	(464,028)	(582,993)
Interest income	34,558	49,737
Other revenue	176,670	373,284
Selling expenses	(781,138)	(316,647)
General and administrative expenses	(314,521)	(175,208)
Impairment losses on assets	(329,874)	(185,423)
Other operating expenses	(56,675)	(64,852)
Finance costs, net	<u>(132,497)</u>	<u>(96,076)</u>
	(1,867,505)	(998,178)
Loss on disposal of discontinued operations	<u>(830,711)</u>	<u>—</u>
Loss before income tax expense	(2,698,216)	(998,178)
Income tax expense	<u>—</u>	<u>—</u>
	<u><u>(2,698,216)</u></u>	<u><u>(998,178)</u></u>
Attributable to:		
Equity holders of the Company	(1,479,080)	(512,613)
Non-controlling interests	<u>(1,219,136)</u>	<u>(485,565)</u>
	<u><u>(2,698,216)</u></u>	<u><u>(998,178)</u></u>

7. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share for the year is based on the following information:

(a) For continuing and discontinued operations

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
<i>(Loss) Profit attributable to equity holders of the Company</i>		
From continuing operations	(160,755)	593,542
From discontinued operations	<u>(1,479,080)</u>	<u>(512,613)</u>
	<u>(1,639,835)</u>	<u>80,929</u>
	<u>Number of shares</u>	
	2009 <i>'000</i>	2008 <i>'000</i>
Issued ordinary shares	3,669,766	3,669,766
Effect of allotment of shares	809,971	—
Effect of share options exercised	<u>296</u>	<u>—</u>
Weighted average number of ordinary shares for calculating basic earnings per share	4,480,033	3,669,766
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	<u>36,090</u>	<u>3,201</u>
Weighted average number of ordinary shares for calculating diluted earnings per share	<u>4,516,123</u>	<u>3,672,967</u>

In calculating the weighted average number of ordinary shares for calculating diluted earnings per share, the effect of deemed conversion of convertible bonds is not considered as the effect is anti-dilutive (2008: Same).

No diluted loss per share for continuing and discontinued operations for 2009 is presented as the effect of the potential ordinary shares is anti-dilutive.

(b) For continuing operations

The calculation of basic and diluted loss (2008: earnings) per share for continuing operations for 2009 was based on the loss (2008: earnings) and the weighted average number of ordinary shares above in issue during the year. The diluted loss per share is not presented for 2009 as the effect of the potential ordinary shares is anti-dilutive.

(c) For discontinued operations

Basic loss per share for discontinued operations for the year is based on the loss from discontinued operations and the weighted average number of ordinary shares for calculating basic earnings per share. Diluted loss per share for discontinued operations is not presented for 2009 as the effect of the potential ordinary shares is anti-dilutive.

8. ACCOUNTS RECEIVABLE

An aging analysis of accounts receivable is set out below:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Less than six months	82,413	588,350
Between six months to one year	10,159	49,132
Above one year but less than two years	3,583	29,450
Above two years	<u>20,354</u>	<u>66,636</u>
	116,509	733,568
Less: provision for doubtful debts	<u>(21,377)</u>	<u>(61,888)</u>
	<u><u>95,132</u></u>	<u><u>671,680</u></u>

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

9. ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Less than six months	1,415,850	2,207,738
Between six months to one year	28,766	39,378
Above one year but less than two years	10,564	46,975
Above two years	<u>31,570</u>	<u>29,611</u>
	1,486,750	2,323,702
	<u><u>1,486,750</u></u>	<u><u>2,323,702</u></u>

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

10. CONTINGENCIES

As at 31st December, 2009, the Group had provided the following guarantees:

- Corporate guarantees for revolving bank loans amounting to RMB200 million (2008: RMB200 million) drawn by Shenyang JinBei Automotive Company Limited. Bank deposits of RMB214 million (2008: RMB228 million) was pledged as collateral for the corporate guarantee;
- Corporate guarantees for revolving bank loans and bank guaranteed notes of approximately RMB60 million (2008: RMB60 million) drawn by affiliated companies of Shanghai Shenhua Holdings Co., Ltd.; and
- Corporate guarantees for revolving bank loans and bank guaranteed notes of approximately RMB750 million (2008: Nil) drawn by affiliated companies of Huachen.

BUSINESS REVIEW AND PROSPECTS

The year 2009 had been an extraordinary one for China. Although many developed countries still experienced the economic slowdown caused by the global financial crisis, China's economy was able to rebound sharply and ending the year with an impressive GDP growth rate of 8.7% as a result of the various policies and stimulus packages introduced by the Chinese government to boost domestic consumption. The Chinese auto industry had also benefited and recovered sharply from the deceleration of 2008 and reaching a recording-breaking sales level of 13.6 million units for the year, an increase of 46.1% from the pervious year. China has become the largest auto market globally. In 2009, sales of passenger vehicles had also surpassed the 10 million mark for the first time, representing an increase of 52.9% from the previous year.

During the year, the Group had undergone tremendous transformation. The disappointing performance of the Zhonghua sedan business in the past had adversely influenced and suppressed the true intrinsic value of the Group. Therefore, during the year management decided to exit the Zhonghua business via a disposal to the Huachen Group, the Group's major shareholder. The disposal will not only provide an immediate earnings enhancement but will also enable the Group to refocus its management and financial resources on the development of its existing profitable businesses and potential new ventures. The transfer had taken effect on December 31, 2009, and the significant losses recorded for 2009 was primarily a result of the operating losses incurred by the Zhonghua business during the year, as well as writedowns and losses associated with the sale of the Zhonghua operation.

With respect to our minibus business, despite a competitive operating environment, the Group continued to maintain its market leading position in 2009. A total of 78,968 minibuses were sold in 2009, representing an increase of 6.9% from the 73,863 units sold in 2008. The deluxe minibuses had shown a particularly impressive sales volume increase of 21.3% during the year, primarily driven by the new Granse model which has been very well received by the market since its launch in 4Q2009.

The BMW Brilliance joint venture registered sale of 44,888 units in 2009, an increase of 28.0% over that of 2008. The joint venture's cost cutting effort has continued to show results, as demonstrated by the 39.0% increase in profit contribution to the Group from the joint venture in 2009 compared to that of the previous year.

Looking into 2010, despite the strong industry rebound experienced in 2009 and a good start for the first quarter of this year in terms of sales volume, there remains risks from both a macroeconomic correction and an overall industry slowdown standpoint.

The Group has entered 2010 after a year of profound changes, and is now operating on two profitable businesses and a new corporate vision. There will be no more losses associated with the Zhonghua sedan business starting in 2010. Going forward the Group will focus on our core businesses of minibus and the BMW joint venture. With its long history, established track record and strong brand recognition, we expect our minibus business to continue to be a stable profit contributor to the Group. We will pursue growth of our existing products, while at the same time expand our horizon via new product introduction as well as potential new ventures by working with our long-time partner Toyota or other major strategic players in the segment.

As for our joint venture with BMW, we were delighted to announce recently details of our Phase II expansion plan to build a brand new facility with designed capacity of up to 300,000 units. This new plant will commence production in year 2012 on a stepwise basis to complement our existing facility, and will allow for the introduction of new BMW products for domestic production in China in addition

to the current 3 and 5 series ones. Based on 2009 sales volume, China has already become BMW's fourth largest market worldwide. We continue to have great confidence in the growth potential of the premium auto segment in China, and with the introduction of our brand new 5-series long version sedan in the second half of this year, we expect to see good volume growth for the year. At the same time the joint venture will continue to implement cost cutting measures in an effort to further improve margins. The BMW joint venture is also expected to enter the auto finance arena in the second half of the year, once regulatory approval is granted to commence operation. With the major expansion of our joint venture's production capacity, its two shareholders, the Group and BMW AG, are more committed than ever and we are exploring with our partner BMW on other potential means to further tighten our cooperation.

MANAGEMENT'S DISCUSSION & ANALYSIS

In an effort to improve the overall performance of the Group, the Group had disposed of its Zhonghua sedan business during the year and transferred all related assets and liabilities on 31st December, 2009.

The consolidated net sales from continuing operations (which represent primarily those derived from the minibus business) of the Group, including Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**"), Shenyang XingYuanDong Automobile Component Co., Ltd., Ningbo Yuming Machinery Industrial Co., Ltd., Ningbo Brilliance Ruixing Auto Components Co., Ltd., Mianyang Brilliance Ruian Automotive Components Co., Ltd., Shenyang Brilliance Dongxing Automotive Component Co., Ltd., Shenyang ChenFa Automobile Component Co., Ltd., Shenyang Jindong Development Co., Ltd. and Shanghai Hidea Auto Design Co., Ltd. for the year ended 31st December, 2009 was RMB6.149 billion, representing a 12.4% increase from RMB5.473 billion for the year ended 31st December, 2008. The increase in sales was primarily due to an increase in the unit sales of Shenyang Automotive's minibuses in 2009.

Shenyang Automotive sold 78,968 minibuses in 2009, representing a 6.9% increase from 73,863 minibuses sold in 2008. Of these minibuses sold, 63,371 were mid-priced minibuses, representing a 3.9% increase from 61,001 units sold in 2008. Unit sales of deluxe minibuses also increased by 21.3% from 12,862 units in 2008 to 15,597 units in 2009, driven by the new Granse model which has been well received by the market since its launch in 4Q2009.

Cost of sales from continuing operations increased by 10.6% from RMB4.786 billion in 2008 to RMB5.294 billion in 2009. The increase is in line with the corresponding increase in unit sales of minibuses. The impact on the overall gross profit margin of the Group was an improvement from 12.5% in 2008 to 13.9% in 2009.

Other revenue from continuing operations increased by 52.1% from RMB101.6 million in 2008 to RMB154.5 million in 2009. The increase was primarily due to an increase in the sale of raw and scrap materials in 2009.

Interest income from continuing operations decreased by 18.8% from RMB38.3 million in 2008 to RMB31.1 million in 2009. The decrease was due to decreases in cash and cash equivalents, short-term and pledged deposits and a general reduction in bank interest rates.

Selling expenses from continuing operations increased by 73.3% from RMB178.9 million in 2008 to RMB310.0 million in 2009. The increase was primarily due to additional resources spent on advertising and promotion of the Group's minibuses, in particular the launch of the new Granse model. The Group

also assumed certain costs of transportation for delivery of the minibuses to dealerships. Selling expenses as a percentage of turnover from continuing operations has increased to 5.0% in 2009 as compared to 3.3% in 2008.

General and administrative expenses from continuing operations increased by 17.0% from RMB282.9 million in 2008 to RMB331.0 million in 2009, mainly due to increases in amortisation of intangible assets in relation to development costs of minibuses resulted from the launch of new models of minibuses and employee costs.

Net finance costs from continuing operations decreased slightly by 6.3% from RMB100.5 million in 2008 to RMB94.2 million in 2009 as the interest from bank financing decreased.

The Group's share of operating results of associates and jointly controlled entities from continuing operations increased by 31.9% from RMB285.3 million in 2008 to RMB376.3 million in 2009. This was mainly attributable to the increased profits contributed by BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), the Group's 50% indirectly owned jointly controlled entity.

Net profits contributed to the Group by BMW Brilliance increased by 39.0% from RMB255.7 million in 2008 to RMB355.3 million in 2009. The BMW joint venture achieved sales of 44,888 BMW sedans in 2009, an increase of 28.0% as compared to 35,068 BMW sedans in 2008.

Non-recurring impairment losses from continuing operations increased by 1,168.1% from RMB50.8 million for 2008 to RMB644.2 million for 2009. The increase was primarily related to impairment losses on goodwill in subsidiaries and receivable balances of RMB295.5 million and RMB333.8 million, respectively.

The Group recorded a loss before taxation from continuing operations of RMB5.0 million in 2009 versus a profit before taxation from continuing operations of RMB739.1 million in 2008. This was primarily due to the higher impairment losses recorded for the year. Income tax decreased by 25.9% from RMB55.3 million in 2008 to RMB41.0 million in 2009, resulting mainly from more loss-making subsidiaries during 2009 compared to the previous year.

The consolidated net sales from discontinued operations (which represent those derived from the Zhonghua business) of the Group for the year ended 31st December, 2009 was RMB6.241 billion, representing a 9.2% increase from RMB5.716 billion for the year ended 31st December, 2008. The increase in sales was primarily due to an increase in the unit sales of Shenyang Automotive's Zhonghua sedans in 2009.

Shenyang Automotive sold 119,138 Zhonghua sedans in 2009, representing a 30.4% increase from 91,356 sedans sold in 2008. 11,059 units, 25,946 units and 400 units of the Zunchi, Junjie and Kubao models were sold in 2009, respectively, representing decreases of 36.5%, 49.9% and 70.3% from 2008, respectively. The Junjie FRV, Cross and FSV models under the new A-class platform, with the latter two being new models introduced in 2009, recorded total sales of 81,733 units for 2009 compared to 20,764 units for 2008. Despite the increase in sales volume of the A-class platform vehicles, the unfavorable margins on these products had led to a negative gross margin for the Zhonghua products for the year overall.

Interest income from discontinued operations decreased by 30.4% from RMB49.7 million in 2008 to RMB34.6 million in 2009. The decrease was due to decrease in cash and cash equivalents, short-term and pledged deposits and a general decrease in bank interest rate.

Other revenue from discontinued operations decreased by 52.7% from RMB373.3 million in 2008 to RMB176.7 million in 2009. The decrease was primarily due to a decrease in the subsidies provided by the government in 2009.

Selling expenses from discontinued operations increased by 146.7% from RMB316.6 million in 2008 to RMB781.1 million in 2009. The increase was primarily due to increases in advertising expense and transportation costs in 2009. Selling expenses as a percentage of turnover from discontinued operations has increased to 12.5% in 2009 as compared to 5.5% in 2008.

General and administrative expenses from discontinued operations increased by 79.5% from RMB175.2 million in 2008 to RMB314.5 million in 2009, mainly as a result of increases in research and development expenses as well as employee costs in 2009.

Impairment losses from discontinued operations increased by 77.9% from RMB185.4 million in 2008 to RMB329.9 million in 2009. The increase was related to the impairment of certain intangible assets of the Zhonghua sedan due to shrinkage in the sales volume of certain models during the year.

Net finance costs from discontinued operations increased by 37.9% from RMB96.1 million in 2008 to RMB132.5 million in 2009 as a result of higher level of borrowing acquired in 2009.

The Group recorded a loss before taxation from discontinued operation, namely the Zhonghua sedan business, of RMB2.698 billion in 2009, which represents a 170.3% increase from the loss before taxation of RMB998.2 million recorded in 2008. The transfer of the Zhonghua business had taken effect on 31st December, 2009, and the significant losses recorded for 2009 was primarily a result of the operating losses incurred by the Zhonghua business during the year, as well as the losses associated with the sale of the Zhonghua operations.

The loss from continuing and discontinued operations attributable to equity holders of the Company was RMB1.640 billion for 2009, compared to a profit attributable to equity holders of RMB80.9 million for 2008. Basic loss per share from continuing and discontinued operations in 2009 amounted to RMB0.03588 and RMB0.33015, respectively, compared to basic earnings per share of RMB0.16174 from continuing operations and basic loss per share from discontinued operation of RMB0.13969 in 2008.

Liquidity and Financial Resources

As at 31st December, 2009, the Group had RMB1,608.9 million in cash and cash equivalents, RMB213.3 million in short-term bank deposits and RMB1,056.1 million in pledged short-term bank deposits. The Group had notes payable of RMB1,205.1 million and outstanding short-term bank borrowings of RMB723.0 million, but had no long-term bank borrowings outstanding as at 31st December, 2009.

On 7th June, 2006, the Company, through its wholly owned subsidiary, Brilliance China Finance Limited (“**Brilliance Finance**”), issued the zero coupon guaranteed convertible bonds due 2011 (the “**Convertible Bonds**”) with a principal amount of US\$182,678,000. None of the Convertible Bonds were converted into ordinary shares with a par value of US\$0.01 each of the Company (the “**Shares**”). As of 31st December, 2009, all the Convertible Bonds have been repurchased or redeemed by Brilliance Finance. Total consideration for the repurchase and redemption amounted to approximately US\$218.6 million. The Convertible Bonds have been cancelled and were delisted from The Singapore Exchange Securities Trading Limited on 14th July, 2009.

Contingent Liabilities

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

Gearing Ratio

As at 31st December, 2009, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 1.54 (31st December, 2008: 1.89). The decrease in the gearing ratio was primarily due to the repurchase and redemption of the Convertible Bonds as well as the transfer of certain liabilities to Huachen as part of the disposal of the Zhonghua sedan business in 2009.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations may have a material effect on the overall financial performance of the Group in the future, and may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2009.

Employees and Remuneration Policy

The Group employed approximately 6,360 employees for continuing operations as at 31st December, 2009 (31st December, 2008: approximately 12,250 for the operations prior to the disposal of Zhonghua sedan business). Employee costs for continuing operations amounted to approximately RMB423.2 million for the year ended 31st December, 2009 (2008: approximately RMB533.0 million for the operations prior to the disposal of Zhonghua sedan business). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIVIDEND

The directors did not recommend the payment of any dividend in respect of the year ended 31st December, 2009 (2008: nil).

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 26th May, 2010 to Friday, 28th May, 2010, both days inclusive, during which period no transfer of Shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Friday, 28th May, 2010 or their proxies or duly authorised corporate representatives are entitled to attend the forthcoming annual general meeting of the Company to be held on Friday, 28th May, 2010. In order to qualify for attending the said annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25th May, 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2009, Brilliance Finance repurchased the Convertible Bonds in an aggregate principal amount of US\$46,325,000 via private arrangements. The consideration for the repurchase amounted to approximately US\$54,734,000. The repurchases have been financed by the Company through its internal resources.

With regard to redemption, on 7th June, 2009, an aggregate principal amount of US\$125,032,000 of the Convertible Bonds was redeemed by Brilliance Finance at the option of the holders of the Convertible Bonds at a price of approximately US\$153,697,000. Subsequently on 8th July, 2009, Brilliance Finance redeemed all the then outstanding Convertible Bonds in the principal amount of US\$1,321,000 at a price of approximately US\$1,633,000 pursuant to the terms of the Convertible Bonds.

All of the repurchased/redeemed Convertible Bonds have been cancelled. As at 31st December 2009, no Convertible Bonds remained outstanding.

Saved as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities in 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions. Throughout the accounting year ended 31st December, 2009, except for deviation from code provision A.4.1 which is described below, the Group has complied with all code provisions.

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

There have been no material changes to the information disclosed in the Company's 2008 annual report in respect of our corporate governance practices. Major updates since the 2008 annual report are summarized in the 2009 annual report to be sent to shareholders of the Company in April 2010.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters, including the consolidated financial statements of the Group for the year ended 31st December, 2009.

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

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2009 have been agreed by the Group's auditors, Grant Thornton (the "Auditors"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2009 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the SEHK and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Qi Yumin (*Chief Executive Officer*), Mr. He Guohua and Mr. Wang Shiping; one non-executive director: Mr. Lei Xiaoyang; and three independent non-executive directors, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.

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

Hong Kong, 16th April, 2010

* *For identification purposes only*