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Brilliance Auto

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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2016

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, 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December

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

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	5,125,118	4,862,855
Cost of sales		(4,953,555)	(4,654,908)
Gross profit		171,563	207,947
Other income		82,034	81,383
Interest income		53,176	80,627
Selling expenses		(611,858)	(546,843)
General and administrative expenses		(383,202)	(394,248)
Finance costs		(133,135)	(146,889)
Share of results of:			
Joint ventures		3,993,396	3,822,934
Associates		252,563	219,887
Profit before income tax expense	4	3,424,537	3,324,798
Income tax expense	5	(35,933)	(44,529)
Profit for the year		3,388,604	3,280,269

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31st December**(Expressed in thousands of RMB except for earnings per share amounts)*

	Note	2016 RMB'000	2015 RMB'000
Attributable to:			
Equity holders of the Company		3,682,074	3,494,733
Non-controlling interests		(293,470)	(214,464)
		3,388,604	3,280,269
Earnings per share			
	6		
– Basic		RMB0.73103	RMB0.69536
– Diluted		RMB0.72987	RMB0.69258

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

	2016 RMB'000	2015 RMB'000
Profit for the year	3,388,604	3,280,269
Other comprehensive (expense) income that will be subsequently reclassified to statement of profit or loss, net of tax		
Change in fair value of available-for-sale financial assets	(23,881)	25,361
Share of other comprehensive (expense) income of a joint venture	639,991	(103,055)
	616,110	(77,694)
Total comprehensive income for the year	4,004,714	3,202,575
Attributable to:		
Equity holders of the Company	4,298,184	3,417,039
Non-controlling interests	(293,470)	(214,464)
	4,004,714	3,202,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Intangible assets		1,338,612	1,423,193
Property, plant and equipment		2,249,789	2,042,114
Land lease prepayments		84,810	86,847
Interests in joint ventures		17,644,857	14,011,488
Interests in associates		1,703,065	1,577,712
Prepayments for long-term investments		600,000	600,000
Available-for-sale financial assets		33,468	57,349
Long-term loan receivables		361,487	85,417
Other non-current assets		17,584	13,170
Total non-current assets		24,033,672	19,897,290
Current assets			
Cash and cash equivalents		940,938	1,070,876
Short-term bank deposits		193,146	676,013
Pledged short-term bank deposits		1,338,956	1,325,528
Inventories		1,104,070	1,211,004
Accounts receivable	7	1,583,968	1,444,708
Notes receivable		296,308	312,486
Other current assets		1,551,954	1,134,369
Total current assets		7,009,340	7,174,984
Current liabilities			
Accounts payable	8	3,324,123	3,038,018
Notes payable		2,330,052	2,157,010
Other current liabilities		1,322,736	1,074,225
Short-term bank borrowings		1,325,000	1,585,000
Income tax payable		20,749	17,632
Total current liabilities		8,322,660	7,871,885
Net current liabilities		(1,313,320)	(696,901)
Total assets less current liabilities		22,720,352	19,200,389
Non-current liabilities			
Deferred government grants		121,829	136,708
NET ASSETS		22,598,523	19,063,681

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

	2016 RMB'000	2015 RMB'000
Capital and reserves		
Share capital	396,809	395,877
Reserves	23,327,048	19,499,668
Total equity attributable to equity holders of the Company	23,723,857	19,895,545
Non-controlling interests	(1,125,334)	(831,864)
TOTAL EQUITY	22,598,523	19,063,681

NOTES:

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China (the "PRC") through its major joint venture, BMW Brilliance Automotive Ltd. ("BMW Brilliance"), and the manufacture and sale of minibuses and automotive components through its subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2015 financial statements, except for the adoption for the first time the following amendments to HKFRSs (collectively "Amended HKFRSs") issued by the HKICPA, which are relevant to and effective for the consolidated financial statements for the annual financial year beginning on 1st January, 2016.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions Interests in Joint Operations
Amendments to HKAS16 and HKAS38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS41	Agriculture: Bearer Plant
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of these Amended HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of measurement

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

(c) Preparation of consolidated financial statements

As at 31st December, 2016, the Group had net current liabilities of approximately RMB1,313 million. Notwithstanding the Group's current liabilities exceeding its current assets as at 31st December, 2016, in preparing these consolidated 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.

As at 31st December, 2016, the Group had short-term bank borrowings of RMB1,325 million which are renewable on a yearly basis. Management is confident that these borrowings can be renewed upon their expiry.

In addition, Huachen Automotive Group Holdings Company Limited (“**Huachen**”), which is a PRC state-owned enterprise and the major shareholder of the Company, has also agreed to provide adequate funds to the Group, if necessary, to meet its liabilities as they fall due. With the support from Huachen together with the expected cash dividends from BMW Brilliance and the continuing support from bankers, the directors are of the view that the Group will have sufficient cash resources to satisfy its future working capital needs and other financing requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(d) Future changes in HKFRSs

As at the date of this announcement, the HKICPA has issued the following new standards and amendments and interpretations which are not yet effective.

Amendments to HKAS 7	Disclosure Initiative – Statement of Cash Flows ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1st January, 2017

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for annual periods beginning on or after 1st January, 2019

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

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2016 RMB'000	2015 RMB'000
Sale of minibuses and automotive components, net of consumption tax, discounts and return	5,081,201	4,858,813
Interest income from provision of financing service	43,917	4,042
	5,125,118	4,862,855

During the year, the Group had one (2015: one) major customer with aggregate revenue derived from it amounting to more than 10% of the Group's revenue, and the revenue from this customer amounted to RMB2,651,060,000 (2015: RMB2,332,269,000).

Although the minibuses and automotive components of the Group are primarily sold in the PRC, the Group is exploring opportunities in the overseas markets and the sales by location of customers are as follows:

	2016 RMB'000	2015 RMB'000
PRC	4,992,743	4,713,144
Other Asian countries	22,658	62,552
Latin America	52,420	39,683
Middle East	1,738	17,765
Africa	11,387	25,547
Others	255	122
	5,081,201	4,858,813

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 by 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.

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

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

Segment assets include all assets other than interests in joint ventures, interests in associates, prepayments for long-term investments, available-for-sale financial assets and advance to Shenyang Automobile Industry Asset Management Company Limited (“SAIAM”). 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 other than corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

In addition, segment assets and segment liabilities include 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 consolidated financial statements prepared under HKFRS.

All segment assets are located in the PRC.

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

Operating segments – 2016

	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 profit or loss RMB'000	Total RMB'000
Segment sales to external customers	5,125,118	95,504,278	(95,504,278)	5,125,118
Segment results	(730,185)	10,729,874	(10,729,874)	(730,185)
Unallocated costs net of unallocated income	-	-	-	(11,278)
Interest income	-	-	-	53,176
Finance costs	-	-	-	(133,135)
Share of results of:				
Joint ventures	(5,023)	3,998,419	-	3,993,396
Associates	252,563	-	-	252,563
Profit before income tax expense				3,424,537

Operating segments – 2015

	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 profit or loss RMB'000	Total RMB'000
Segment sales to external customers	4,862,855	92,179,364	(92,179,364)	4,862,855
Segment results	(626,894)	10,279,384	(10,279,384)	(626,894)
Unallocated costs net of unallocated income	-	-	-	(24,867)
Interest income	-	-	-	80,627
Finance costs	-	-	-	(146,889)
Share of results of:				
Joint ventures	(4,131)	3,827,065	-	3,822,934
Associates	219,887	-	-	219,887
Profit before income tax expense				3,324,798

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

Operating segments – 2016

	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	10,695,290	75,672,722	(75,672,722)	10,695,290
Interests in joint ventures	4,774	17,640,083	-	17,644,857
Interests in associates	1,703,065	-	-	1,703,065
Available-for-sale financial assets				33,468
Prepayments for long-term investments				600,000
Advance to SAIAM				300,000
Unallocated assets				66,332
Total assets				31,043,012
Segment liabilities	8,434,273	40,392,556	(40,392,556)	8,434,273
Unallocated liabilities				10,216
Total liabilities				8,444,489
Other disclosures:				
Capital expenditure	397,998	7,937,855	(7,937,855)	397,998
Depreciation of property, plant and equipment	131,567	3,048,038	(3,048,038)	131,567
Amortisation of land lease prepayments	2,037	39,415	(39,415)	2,037
Amortisation of intangible assets	136,020	154,551	(154,551)	136,020
Provision of inventories	13,484	113,996	(113,996)	13,484
Write-back of provision for inventories sold	30,935	73,877	(73,877)	30,935
Net impairment losses on assets	3,188	131,994	(131,994)	3,188
Income tax expense	35,933	2,733,257	(2,733,257)	35,933

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

Operating segments – 2015

	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	10,438,762	66,200,422	(66,200,422)	10,438,762
Interests in joint ventures	9,704	14,001,784	–	14,011,488
Interests in associates	1,577,712	–	–	1,577,712
Available-for-sale financial assets				57,349
Prepayments for long-term investments				600,000
Advance to SAIAM				300,000
Unallocated assets				86,963
Total assets				27,072,274
Segment liabilities	7,999,111	38,196,856	(38,196,856)	7,999,111
Unallocated liabilities				9,482
Total liabilities				8,008,593
Other disclosures:				
Capital expenditure	781,894	9,627,477	(9,627,477)	781,894
Depreciation of property, plant and equipment	136,422	2,312,276	(2,312,276)	136,422
Amortisation of land lease prepayments	1,554	37,693	(37,693)	1,554
Amortisation of intangible assets	43,443	140,616	(140,616)	43,443
Provision of inventories	14,754	311,099	(311,099)	14,754
Write-back of provision for inventories sold	12,631	15,011	(15,011)	12,631
Net impairment losses on assets	3,155	43,118	(43,118)	3,155
Income tax expense	44,529	2,623,111	(2,623,111)	44,529

4. PROFIT BEFORE INCOME TAX EXPENSE

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

	2016 RMB'000	2015 RMB'000
Charging:		
Impairment losses on:		
– Accounts receivable (b)	–	368
– Loans receivable (b)	7,058	2,739
– Other receivables (b)	4,587	48
	11,645	3,155
Staff costs	750,171	722,794
Amortisation of intangible assets (a)	136,020	43,443
Amortisation of land lease prepayments	2,037	1,554
Depreciation of property, plant and equipment	131,567	136,422
Cost of inventories (c)	4,971,006	4,686,137
Provision for inventories	13,484	14,754
Auditors' remuneration	2,822	2,987
Research and development costs (b)	8,111	8,126
Warranty provision (b)	29,583	25,466
Operating lease charges in respect of land and buildings	25,261	26,263
Crediting:		
Exchange gain, net	47,788	47,291
Write-back of provision for inventories sold	30,935	12,631
Gain on disposal of property, plant and equipment	5,549	4,459
Write-back of provision for doubtful debts of		
– Accounts receivable	3,957	–
– Other receivables	4,500	–

(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 government subsidies of RMB24,147,000 (2015: RMB16,676,000).

5. INCOME TAX EXPENSE

The income tax charged to the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax		
PRC enterprise income tax		
– Current year	9,646	5,008
– Under provision in prior year	760	15,637
PRC withholding tax on dividend	25,527	23,884
Total income tax expense	35,933	44,529

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

	2016 RMB'000	2015 RMB'000
Profit before income tax expense	3,424,537	3,324,798
Calculated at a weighted average statutory taxation rate in the PRC of 26.12% (2015: 27.64%)	894,597	918,861
Effect of tax holiday	(578)	(307)
Non-taxable income net of expenses not deductible for taxation purpose	(1,084,399)	(1,066,030)
Unrecognised temporary differences	3,497	11,264
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	222,056	165,104
Under provision in prior years	760	15,637
Tax expense for the year	35,933	44,529

6. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB3,682 million (2015: RMB3,495 million) by the weighted average number of ordinary shares as follows:

	Number of shares	
	2016 '000	2015 '000
Weighted average number of ordinary shares for calculating basic earnings per share	5,036,821	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	8,005	20,222
Weighted average number of ordinary shares for calculating diluted earnings per share	5,044,826	5,045,991

7. ACCOUNTS RECEIVABLE

	2016 RMB'000	2015 RMB'000
Accounts receivable	346,807	597,983
Accounts receivable from affiliated companies	1,237,161	846,725
	1,583,968	1,444,708

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

	2016 RMB'000	2015 RMB'000
Less than six months	155,729	235,945
Six months to one year	5,274	11,282
Above one year but less than two years	12,118	335,768
Two years or above	191,378	36,637
	364,499	619,632
Less: provision for doubtful debts	(17,692)	(21,649)
	346,807	597,983

7. ACCOUNTS RECEIVABLE (Continued)

At 31st December, 2016, accounts receivable from third parties of approximately RMB201 million (2015: approximately RMB401 million) are substantially denominated in U.S. Dollar or Euro and the rest are denominated in Renminbi. 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 settlements must generally be made by letters of credit, credit periods of up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

8. ACCOUNTS PAYABLE

	2016 RMB'000	2015 RMB'000
Accounts payable	1,977,242	1,774,284
Accounts payable to affiliated companies	1,346,881	1,263,734
	3,324,123	3,038,018

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

	2016 RMB'000	2015 RMB'000
Less than six months	1,557,749	1,358,896
Six months to one year	224,606	222,421
Above one year but less than two years	69,264	63,462
Two years or above	125,623	129,505
	1,977,242	1,774,284

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant. All these amounts are payable within one year.

9. DIVIDENDS

On 26th August, 2016, a dividend of HK\$0.11 per share (2015: HK\$0.11 per share) totaling HK\$554,122,000 (2015: HK\$552,835,000) was declared by the directors and paid during the year.

The directors did not recommend any dividend payment at the board meeting held on 24th March, 2017 in respect of the Group's 2016 annual results (2015: nil).

10. CONTINGENCIES

On 10th November, 2015, a subsidiary 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 (2015: RMB600 million) for the period from 1st January, 2016 to 31st December, 2016. As at 31st December, 2016, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB470 million (As at 31st December, 2015: RMB530 million) of which RMB200 million (As at 31st December, 2015: RMB200 million) and RMB270 million (As at 31st December, 2015: RMB330 million) were supported by the Group’s bank deposits pledged to and corporate guarantee provided to the banks, respectively. On 4th November, 2016, 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, 2017 to 31st December, 2017.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB60 million (As at 31st December, 2015: RMB60 million) from 1st January, 2016 to 31st December, 2016 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. (“**Shanghai Shenhua**”). As at 31st December, 2016, RMB60 million (As at 31st December, 2015: RMB60 million) of this corporate guarantee was utilised by Shanghai Shenhua.

OVERVIEW AND PROSPECTS

During the year 2016, China’s economy continued to grow at a moderate pace, with an increase in GDP of 6.7% which was the slowest in 26 years. In spite of the slow economic growth, driven by government purchase tax incentives for small engine cars, China’s total vehicle sales jumped 13.7% during the year, the fastest pace in three years and reaching 28.0 million units, according to the China Association of Automobile Manufacturers. Passenger vehicle sales also hit a new record in 2016, achieving 24.4 million units or an increase of 14.9% during the period. Although premium vehicle sales had not been able to benefit from the purchase tax concession owing to bigger engine products in general, the premium passenger vehicle segment still delivered solid growth in line with the overall passenger vehicle market, mainly driven by new product launches during the year.

The year 2016 marked the beginning of next phase development and a multiple new product launch cycle for our BMW Brilliance joint venture (“**BBA**” or the “**JV**”). The capacity expansion project at the Tiexi plant was completed at the beginning of the year with the addition of an all-new front-wheel-drive production platform. Together with the Dadong plant, the JV has reached total annual production capacity of over 400,000 units providing for products of different architectures. In addition, the new engine plant in Tiexi had also commenced operation at the beginning of the year, enabling the JV to produce the brand new 3 and 4-cylinder BMW engines locally. These new facilities have provided support to the JV’s new product launches starting with the brand new 2-series Active Tourer and the next generation X1 long-wheelbase which were introduced to the market in March and May of 2016, respectively.

The addition of the 2-series Active Tourer as the fourth locally produced BMW product, and the first to be produced using the new front-wheel drive platform, had contributed newly added volume in 2016. Sales of the new and improved next generation X1 equipped for the first time with a long-wheelbase to cater to Chinese customer demands have also ramped up quickly since its May 2016 market launch. Alongside these new launches, our 3-series and 5-series continued to deliver steady sales amid a very challenging market. As a result, BBA achieved sales of 310,026 BMW vehicles in 2016, representing an increase of 8.0% when compared to the previous year.

BBA has continued to expand its dealer network which had reached 463 full service 4S shops nationwide as at 31st December, 2016. The JV continues to work closely with its sales organization on all fronts in an effort to sustain the profitability of both the JV and its dealers. Our JV's sales activities will continue to be supported by the BMW auto finance company, resulting in increased sales volume and profits to the JV.

We continue to be confident about the long-term growth prospects of the Chinese premium auto industry. We believe the new products to be introduced by BBA over the next few years will have strong customer appeal, and will broaden and also better tailor our product portfolio to Chinese consumers' preferences. Cost reduction, operational efficiency, sales volume enhancement, component localization, new energy product development, and further integration of our JV into the BMW network via exports of vehicles and components from China will all remain key focus areas for the JV.

As for the minibus business, the traditional Haise and Granse products had achieved stable sales volume in 2016. Sales of the Huasong MPV model, however, has been disappointing, as further efforts are still required in promoting brand recognition and re-evaluating market opportunities. The Group is also considering various routes of potential strategic moves, including, but not limited to, an attempt to explore the possibility of cooperation with a new business partner, to turnaround its minibus operation over time. However, it is likely that the minibus and MPV operation will continue to have a negative impact on the Group's overall financial performance in 2017.

Brilliance-BEA Auto Finance Co., Ltd ("**BBAFC**"), the Company's auto finance subsidiary in China, had once again achieved profitability in 2016. In addition to supporting the Group's sales of its minibus and MPVs and our major shareholder Huachen's sedan products for both wholesale and retail, in December 2016 BBAFC has also successfully initiated a strategic partnership with Jaguar Land Rover to finance their customers and dealers in China. BBAFC will continue to seek expansion to provide finance and insurance support to multi-brand businesses over time.

The year 2017 will continue to be a very challenging year for the Group. Maintaining the prominent position of BMW Brilliance in the premium auto market remains the Group's business priority. Apart from that, the Group will continue to identify new business opportunities as well as ways to further streamline its existing operation and corporate structure as its business continues to grow.

BUSINESS DISCUSSION & ANALYSIS

The consolidated revenue 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.) for the year ended 31st December, 2016 was RMB5,125.1 million, representing a 5.4% increase from RMB4,862.9 million for the year ended 31st December, 2015. The consolidated revenue also included interest income derived by BBAFC in the amount of RMB43.9 million in 2016, which was 997.5% higher than the RMB4.0 million reported for the previous year. The increase in consolidated revenue was mainly attributable to the increase in the volume of minibuses sold during the year.

Shenyang Automotive sold 62,673 minibuses and MPVs in 2016, which was 8.0% higher than the 58,023 vehicles sold in 2015. Of the minibuses sold, 46,270 units were Haise minibuses, representing a 3.1% increase from the 44,896 units sold in 2015. The unit sales of Granse minibuses increased by 90.9% from 6,229 units in 2015 to 11,889 units in 2016. The increase in Granse sales volume in 2016 was primarily driven by sales campaigns and promotions undertaken for certain models during the year. As for the Huasong 7 MPV, sales of 4,514 units was recorded during the year, representing a 34.6% decrease from 6,898 units sold in 2015. The drop in Huasong volume sold was caused by challenges faced by a new brand in trying to penetrate an existing market with intense competition from manufacturers in the same segment.

Cost of sales increased by 6.4% from RMB4,654.9 million in 2015 to RMB4,953.6 million in 2016. The percentage increase in cost of sales was slightly higher than that of revenue mainly due to an increase in the amortisation of intangible assets for new or revamped models. As a result, the gross profit margin of the Group has dropped from 4.3% in 2015 to 3.3% in 2016.

Other income has remained stable, increasing by 0.7% from RMB81.4 million in 2015 to RMB82.0 million in 2016.

Interest income decreased by 34.0% from RMB80.6 million in 2015 to RMB53.2 million in 2016 due to the decrease in the average bank deposit balances in 2016.

Selling expenses increased by 11.9% from RMB546.8 million in 2015 to RMB611.9 million in 2016. The increase in selling expenses was due to the increase in advertising, staffing, and transportation related costs. Selling expenses as a percentage of revenue has increased marginally from 11.2% in 2015 to 11.9% for 2016.

General and administrative expenses decreased slightly by 2.8% from RMB394.2 million in 2015 to RMB383.2 million in 2016 primarily due to continuous tightening and control of general expenses. General and administrative expenses as a percentage of revenue has decreased from 8.1% in 2015 to 7.5% for 2016.

Finance costs decreased by 9.4% from RMB146.9 million in 2015 to RMB133.1 million in 2016 due to a decrease in average bank borrowings during the year.

The Group's share of results of joint ventures increased by 4.5% from RMB3,822.9 million in 2015 to RMB3,993.4 million in 2016. 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 4.5% from RMB3,827.1 million in 2015 to RMB3,998.4 million in 2016. The BMW joint venture achieved sales of 310,026 BMW vehicles in 2016, an increase of 8.0% as compared to 287,073 BMW vehicles sold in 2015. The 2016 sales volumes of the locally produced 3-series, 5-series, and X1 were 97,112 units, 143,594 units, and 54,914 units, respectively, translating into growth rates of -1.5%, -2.4% and 33.1%, respectively, compared to 2015. In addition, the new 2-series Active Tourer launched in March 2016 recorded sales of 14,406 units during the year.

The Group's share of results of associates increased by 14.9% from RMB219.9 million in 2015 to RMB252.6 million in 2016. This was primarily due to the increase in the contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. as a result of strong customer demand for some of its engine products.

The Group's profit before income tax expense increased by 3.0% from RMB3,324.8 million in 2015 to RMB3,424.5 million in 2016. Income tax expense decreased by 19.3% from RMB44.5 million for 2015 to RMB35.9 million for 2016, primarily due to higher taxes recorded by one of the subsidiaries of the Group in 2015.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB3,682.1 million for the year 2016, representing an increase of 5.4% from the RMB3,494.7 million realized in 2015. Basic earnings per share in 2016 amounted to RMB0.73103, compared to RMB0.69536 in 2015. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2016 was 18.4%, compared to 20.9% for 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2016, the Group had RMB940.9 million in cash and cash equivalents (As at 31st December, 2015: RMB1,070.9 million), RMB193.1 million in short-term bank deposits (As at 31st December, 2015: RMB676 million) and RMB1,339 million in pledged short-term bank deposits (As at 31st December, 2015: RMB1,325.5 million). As at 31st December, 2016, the Group had notes payable in the amount of RMB2,330.1 million (As at 31st December, 2015: RMB2,157 million).

As at 31st December, 2016, the Group had outstanding short-term bank borrowings of RMB1,325 million (As at 31st December, 2015: RMB1,585 million) and did not have any long-term bank borrowings outstanding (As at 31st December, 2015: nil).

All short-term bank borrowings as at 31st December, 2016 were due within one year, being repayable from 10th January, 2017 to 12th December, 2017 (As at 31st December, 2015: repayable from 13th January, 2016 to 10th November, 2016). As at 31st December, 2016, these borrowings were at fixed interest rates and were denominated in Renminbi (As at 31st December, 2015: same).

The Group also aims at improving liquidity of the Group by ways such as monitoring the accounts receivable turnover and inventory turnover. For the year ended 31st December, 2016, the accounts receivable turnover rate and inventory turnover rate was 3.38 and 4.28, respectively (Year ended 31st December, 2015: 3.69 and 4.64, respectively).

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2016, the Group's total assets was RMB31,043.0 million (As at 31st December, 2015: RMB27,072.3 million), which was funded by the following: (a) share capital of RMB396.8 million (As at 31st December, 2015: RMB395.9 million), (b) reserves of RMB23,327 million (As at 31st December, 2015: RMB19,499.7 million), (c) total liabilities of RMB8,444.5 million (As at 31st December, 2015: RMB8,008.6 million) and (d) negative contribution from non-controlling interests of RMB1,125.3 million (As at 31st December, 2015: RMB831.9 million).

As at 31st December, 2016, 78.5% (As at 31st December, 2015: 90.3%) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 14.6% (As at 31st December, 2015: 7.3%) were denominated in U.S. Dollar. The remaining balance of 6.9% (As at 31st December, 2015: 2.4%) were denominated in other currencies.

Apart from the borrowings, banking facilities have been put in place for contingency purposes. As at 31st December, 2016, the Group's total available banking facilities for its daily operations amounted to RMB545 million (As at 31st December, 2015: RMB268.4 million) without any committed banking facilities.

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank borrowings, issue of bank guaranteed notes and payment credit from its suppliers. 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 management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

For long-term capital expenditures, the Group's strategy is to fund these long-term capital commitments by a combination of operational cash flow, bank borrowings, dividends from joint ventures and associates, if any, and fund raising exercises in the capital market, if and when necessary.

CAPITAL EXPENDITURE AND COMMITMENTS

In 2016, the Group incurred capital expenditure of RMB398 million (2015: RMB781.9 million) mainly for acquisition of land use rights, tools and moulds, machinery and equipment, and development costs for minibus.

As at 31st December, 2016, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB474.7 million (As at 31st December, 2015: RMB321.6 million). Among such, contracted capital commitments amounted to RMB367.2 million (As at 31st December, 2015: RMB261.8 million), which was primarily related to the capital expenditure in respect of construction projects and acquisition of plant and machinery.

NEW BUSINESS AND NEW PRODUCTS

To meet the changing customer demands and to strengthen our market position in the PRC, Shenyang Automotive will continue to evaluate, on an ongoing basis, the development of new MPV models, upgrading of existing products, expansion of its product portfolio, and potential strategic partnerships.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31st December, 2016.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 7,280 employees as at 31st December, 2016 (As at 31st December, 2015: approximately 7,410). Employee costs amounted to approximately RMB750.2 million for the year ended 31st December, 2016 (For the year ended 31st December, 2015: approximately RMB722.8 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

To enhance the overall quality and professional expertise standard of all employees, the Group provides training to its employees from time to time. Shenyang Automotive has developed and implemented "Methods for Training Management" (《培訓管理辦法》), and developed a training system and workflow incorporating induction training for new employees, training for personnel of special positions, management training, professional expertise training and quality training. The programmes cover a broad spectrum of topics such as professional skills, quality and ability, working efficiency, team cooperation, ethics and professional conduct. Employees are encouraged to attend training sessions to acquire the latest industry information and knowledge, new trends in vocational area and new information via different learning media including internet, in-house classes and external seminars, so as to enhance their ability and work quality.

CHARGE ON ASSETS

As at 31st December, 2016, bank borrowings of RMB130 million (As at 31st December, 2015: RMB110 million) were secured by the Group's buildings, tools, moulds, machinery and equipment with net book values of approximately RMB193.2 million (As at 31st December, 2015: RMB110.2 million).

In addition, as at 31st December, 2016, the Group pledged short-term bank deposits of RMB1,128.4 million (As at 31st December, 2015: RMB1,115 million) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (As at 31st December, 2015: RMB210.5 million) to secure bank loans granted to a related party of the Group.

As at 31st December, 2016, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB116.5 million (As at 31st December, 2015: approximately RMB66.5 million) for issue of bank guaranteed notes.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

Apart from those disclosed herein, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

GEARING RATIO

As at 31st December, 2016, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.36 (As at 31st December, 2015: 0.40). The decrease in the gearing ratio was primarily due to continuing profit attributable to equity holders generated during 2016.

FOREIGN EXCHANGE RISKS

Despite a decrease in the overseas sales of the Group, 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, 2016 (As at 31st December, 2015: nil).

CONTINGENT LIABILITIES

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

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 13th October, 2016 (2015: HK\$0.11 per ordinary share). The dividend was paid on 28th October, 2016.

The directors did not recommend any dividend payment at the board meeting held on 24th March, 2017 in respect of the Group's 2016 annual results (2015: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Friday, 16th June, 2017 at 9:00 a.m. (the "**2017 AGM**").

The Hong Kong branch register of members of the Company will be closed from Tuesday, 13th June, 2017 to Friday, 16th June, 2017, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2017 AGM is Tuesday, 13th June, 2017. Only shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 13th June, 2017 or their proxies or duly authorised corporate representatives are entitled to attend and vote at the 2017 AGM. In order to qualify for attending and voting at the 2017 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office 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., Hong Kong time, on Monday, 12th June, 2017.

PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2017 AGM, he/she is requested to complete the proxy form in accordance with the instructions printed thereon and return it to the office of the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 9:00 a.m., Hong Kong time, on Wednesday, 14th June, 2017, or not less than 48 hours before the time appointed for the holding of any adjourned meeting of the 2017 AGM.

Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the 2017 AGM or any adjourned meeting thereof if they so wish and in such event, the form of proxy will be deemed to be revoked.

IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

Save as disclosed, so far as is known to the directors of the Company, no important events affecting the Group have occurred since the end of the financial year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the year ended 31st December, 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules. Throughout the financial year ended 31st December, 2016, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2016.

There have been no material changes to the information disclosed in the Company's 2015 annual report in respect of our corporate governance practices. Major updates since the 2015 annual report are summarized in the 2016 annual report to be sent to shareholders of the Company in April 2017.

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, 2016.

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

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2016 have been agreed by Grant Thornton Hong Kong Limited, the Company's auditors (the "**Auditors**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2016 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.brillianceauto.com) 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. Qian Zuming (*Chief Financial Officer*) and Mr. Zhang Wei; 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, 24th March, 2017