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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, 2022 AND PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS AND PROPOSED ADOPTION OF THE NEW BYE-LAWS

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, 2022 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	2022 RMB'000	2021 RMB'000
Revenue	3	1,130,725	2,141,946
Cost of sales		(895,153)	(1,961,217)
Gross profit		235,572	180,729
Other income		139,593	53,370
Interest income		416,323	49,801
Selling expenses		(33,930)	(140,461)
General and administrative expenses		(437,802)	(2,941,517)
Net expected credit loss (“ECL”) allowance on loans and receivables		(475,748)	(1,011,930)
Finance costs		(12,927)	(125,667)
Share of results of:			
A joint venture		2,379,782	14,514,842
Associates		6,543,795	(119,556)
		8,754,658	10,459,611

* 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	2022 RMB'000	2021 RMB'000
Gain on disposal of partial equity interest in a joint venture		4,895,929	–
Other taxes related to the disposal		(7,287,093)	–
		(2,391,164)	–
Gain on deconsolidation of subsidiaries		779,278	–
Profit before income tax credit (expense)	4	7,142,772	10,459,611
Income tax credit (expense)	5	4,058	(18,817)
Profit for the year		7,146,830	10,440,794
Attributable to:			
Equity holders of the Company		7,146,895	11,960,525
Non-controlling interests		(65)	(1,519,731)
		7,146,830	10,440,794
Earnings per share	6		
– Basic		RMB1.41655	RMB2.37064
– Diluted		RMB1.41655	RMB2.37064

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December,

	2022 RMB'000	2021 RMB'000
Profit for the year	7,146,830	10,440,794
Other comprehensive income (expense) that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive income (expense) of a joint venture	747,009	(2,920,222)
Share of other comprehensive income (expense) of associates	517,516	(50)
Fair value gain on notes receivable at fair value through other comprehensive income ("FVOCI")	322	105
	1,264,847	(2,920,167)
Other comprehensive income that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	461	2,582
Total comprehensive income for the year	8,412,138	7,523,209
Attributable to:		
Equity holders of the Company	8,412,203	9,042,918
Non-controlling interests	(65)	(1,519,709)
	8,412,138	7,523,209

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Intangible assets		37,935	41,468
Property, plant and equipment		444,185	726,126
Land lease prepayments		76,029	78,147
Interests in a joint venture		–	41,554,943
Interests in associates		19,727,942	987,766
Equity investments		9,924	9,463
Long-term loan receivables		1,314,172	1,517,536
Other non-current assets		87,832	78,352
Total non-current assets		21,698,019	44,993,801
Current assets			
Cash and cash equivalents		28,463,276	1,049,252
Statutory deposit reserves at central bank		32,500	32,500
Pledged and restricted short-term bank deposits	7	3,461,922	745,195
Inventories		185,201	298,387
Accounts receivable	8	282,075	310,860
Notes receivable		94,470	109,490
Other current assets		1,209,141	2,411,510
Total current assets		33,728,585	4,957,194
Current liabilities			
Accounts payable	9	366,829	1,087,348
Notes payable		170,149	334,388
Other current liabilities		292,322	2,713,671
Short-term bank borrowings		350,000	2,167,338
Long-term bank borrowings due within one year		7,500	390,600
Income tax payable		10,337	2,661
Provision for loss on unauthorised guarantees	11	1,917,062	1,917,062
Total current liabilities		3,114,199	8,613,068
Net current assets (liabilities)		30,614,386	(3,655,874)
Total assets less current liabilities		52,312,405	41,337,927

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

	2022	2021
	RMB'000	RMB'000
Non-current liabilities		
Other non-current liabilities	95,578	156,088
Long-term bank borrowings	–	7,500
Total non-current liabilities	95,578	163,588
NET ASSETS	52,216,827	41,174,339
Capital and reserves		
Share capital	397,176	397,176
Reserves	51,048,078	41,931,523
Total equity attributable to equity holders of the Company	51,445,254	42,328,699
Non-controlling interests	771,573	(1,154,360)
TOTAL EQUITY	52,216,827	41,174,339

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 address of the registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the subsidiaries are in the People's Republic of China (the "**PRC**").

The directors of the Company considered Huachen Automotive Group Holdings Company Limited ("**Huachen**") and its wholly-owned subsidiary, Liaoning Xinrui Automotive Industry Development Co., Ltd. ("**Xinrui**"), which holds 30.43% equity interest of the Company are the controlling shareholders of the Company as at 31st December, 2022.

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the PRC through its major associate, BMW Brilliance Automotive Ltd. ("**BBA**"), the manufacture and sale of automotive components through its subsidiaries, Ningbo Yumin Machinery Industrial Co., Ltd ("**Ningbo Yumin**") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), and the provision of auto financing service through its subsidiary, Brilliance-BEA Auto Finance Co., Ltd. ("**BBAFC**").

The Group's subsidiary, Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**") which manufactured and sold minibuses and multi-purpose vehicles ("**MPVs**"), has been undergoing restructuring (the "**RBJAC Restructuring**") accepted by the Shenyang Intermediate People's Court on 12th January, 2022. Under the court order, a restructuring committee was formed to seek new investors or to liquidate the subsidiary. Pursuant to the relevant laws in respect of restructure in the PRC, the Group's rights and duty in the management of RBJAC are restricted, including but not limited to the rights to vote and the rights to appropriate profits, etc. after the restructuring committee was formed. Accordingly, the Company considers that the Group has lost control over RBJAC from 12th January, 2022.

In addition, another Group's subsidiary, Shenyang Brilliance Jindong Development Co., Ltd. ("**SBDAC**") with principal activity of trading of automotive components has also started the liquidation process on 26th July, 2022. The Company considers that the Group has lost control over SBDAC on 26th July, 2022.

Accordingly, the financial statements of these two subsidiaries are not consolidated into the Group's consolidated financial statements from the time the Group lost control over them.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These annual 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**”), and the accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include 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 2021 financial statements, except for the adoption for the first time the following amended HKFRSs (collectively “**New and Amended HKFRSs**”) issued by the HKICPA, which are relevant to and effective for the annual consolidated financial statements for the annual financial statements beginning on or after 1st January, 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

The impact of the adoption of the New and Amended HKFRSs are discussed below in note (b). Other than as noted below, the adoption of the New and Amended HKFRSs have no material impact on the Group’s consolidated financial statements.

(b) Adoption of New and Amended HKFRSs

(i) *Amendments to HKAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

(ii) *Amendments to HKAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”*

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Adoption of New and Amended HKFRSs (Continued)

(iii) *Amendments to HKFRSs “Annual Improvements to HKFRSs 2018-2020”*

The Annual Improvements to HKFRSs 2018-2020 include a number of amendments to various HKFRSs, which are summarised below.

Amendments to HKFRS 1 provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company’s date of transitions to HKFRSs) if a subsidiary adopts HKFRSs later than its parent company and applies paragraph D16(a) of HKFRS 1.

Amendments to HKFRS 9 clarify that, for the purpose of applying the “10 per cent” test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to illustrative example 13 accompanying HKFRS 16 remove the illustration of the reimbursement of leasehold improvements by the lessor from the example as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

Amendments to HKAS 41 remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

Amendments to HKFRS 1, HKFRS 9 and HKAS 41 are effective for annual period beginning on or after 1st January, 2022. Earlier application is permitted. The amendments to HKFRS 16 only regard an illustrative example, so no effective date is stated. The directors of the Company expect that the annual improvements have no material impact on the consolidated financial statements.

(iv) *Amendments to HKFRS 3 “Reference to the Conceptual Framework”*

The amendments update the reference in HKFRS 3 to the latest version of “Conceptual Framework for Financial Reporting” issued in March 2018, and add an exception to the requirement for an entity to refer to “Conceptual Framework for Financial Reporting” to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies” if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the “Conceptual Framework for Financial Reporting”) to determine whether a present obligation exists at the acquisition date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Adoption of New and Amended HKFRSs (Continued)

(v) *Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combination”*

Accounting Guideline 5 was revised to clarify why a common control transaction involving inserting a shell company between a parent entity and a single subsidiary or between a parent entity and a group of subsidiaries is not common control combination in the Accounting Guideline 5 and why, in practice, a principle similar to that for a reverse acquisition is applied to those transactions.

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for financial instruments classified as finance assets which are measured at FVOCI and fair value through profit or loss.

(d) Future changes in HKFRSs

As at the date of authorisation of these consolidated financial statements, the HKICPA has issued certain new and amended HKFRSs which are relevant to the Group and not yet effective.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”) ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ^{2,4}
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
HKFRS 17	Insurance Contracts ¹

¹ Effective for annual periods beginning on or after 1st January, 2023

² Effective for annual periods beginning on or after 1st January, 2024

³ No mandatory effective date determined yet but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1st January, 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 “Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause” was revised to align the corresponding wording with no change in conclusion

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the pronouncement. The directors expect that the new and amended HKFRSs have no material impact on the Group’s consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2022 RMB'000	2021 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	877,945	1,750,985
Interest and service charge income from provision of auto financing service, net of other indirect taxes	252,780	390,961
	1,130,725	2,141,946

Sale of automotive components are recognised at a point of time.

As the Group's revenue from sale of minibuses and MPVs were all through RBJAC, upon the deconsolidation of RBJAC, no sale of minibuses and MPVs was recognised for 2022. The sales for the year ended 31st December, 2022 only consists of manufacturing and sale of automotive components.

During the year, the Group had one largest customer with aggregate revenue of approximately RMB243,989,000 or 22% of the Group's revenue (2021: one largest customer with aggregate revenue of approximately RMB282,105,000 or 13% of the Group's revenue). Other than the largest customer, no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2021: same).

Although the Group's products are primarily sold in the PRC, the Group also has sale to the overseas markets and the sales by location of customers are as follows:

	2022 RMB'000	2021 RMB'000
PRC	777,845	1,624,825
Other Asian countries	2,395	6,771
Latin America and Caribbean Sea	35,238	26,715
Europe	55,385	35,498
Middle East	–	18,120
African countries	–	32,625
Others	7,082	6,431
	877,945	1,750,985

All interest and service charge income from provision of auto financing service is derived in the PRC.

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 or different nature of business, and their respective performances.

3. REVENUE AND SEGMENT INFORMATION (Continued)

The Group has identified the following reportable segments:

- (1) the manufacture and sale of automotive components for the year ended 31st December, 2022 and the manufacture and sale of minibuses, MPVs and automotive components for the year ended 31st December, 2021;
- (2) the manufacture and sale of BMW vehicles; and
- (3) the provision of auto financing services.

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 segment results of the operating segments:

- expenses related to share-based payments;
- share of results of associates and a joint venture;
- results of deconsolidation of subsidiaries;
- results of disposal of partial interest in a joint venture and the respective tax;
- 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 BBA and included in the consolidated financial statements prepared under HKFRSs.

Segment assets include all assets other than interests in a joint venture, interests in associates and equity investments. 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 BBA included in the consolidated financial statements prepared under HKFRSs.

All segment assets are located in the PRC.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2022

	Manufacture and sale of automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	877,945	235,589,367	252,780	(235,589,367)	1,130,725
Segment results	(517,628)	40,996,364	678	(40,965,075)	(485,661)
Unallocated costs net of unallocated income					(86,654)
Interest income					416,323
Finance costs					(12,927)
Gain on disposal of partial equity interest in a joint venture	-	4,895,929	-	-	4,895,929
Other taxes related to the disposal	-	(7,287,093)	-	-	(7,287,093)
Gain on deconsolidation of subsidiaries	779,278	-	-	-	779,278
Share of results of:					
A joint venture	-	2,379,782	-	-	2,379,782
Associates	(29,770)	6,573,565	-	-	6,543,795
Profit before income tax credit					7,142,772

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2021

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	1,750,985	213,629,487	390,961	(213,629,487)	2,141,946
Segment results	(3,865,460)	36,700,840	26,644	(36,669,019)	(3,806,995)
Unallocated costs net of unallocated income					(52,814)
Interest income					49,801
Finance costs					(125,667)
Share of results of:					
A joint venture	-	14,514,842	-	-	14,514,842
Associates	(119,556)	-	-	-	(119,556)
Profit before income tax expense					10,459,611

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2022

	Manufacture and sale of automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	33,548,673	164,927,049	2,754,914	(165,578,702)	35,651,934
Interests in associates	937,002	18,790,940	-	-	19,727,942
Equity investments					9,924
Unallocated assets					36,804
Total assets					55,426,604
Segment liabilities	2,809,915	89,763,288	1,040,306	(90,414,941)	3,198,568
Unallocated liabilities					11,209
Total liabilities					3,209,777
Other disclosures:					
Capital expenditures					
- Owned assets	28,694	21,064,875	5,178	(21,064,875)	33,872
- Right-of-use assets	13,491	1,380,060	116	(1,380,060)	13,607
Depreciation of property, plant and equipment					
- Owned assets	52,945	5,418,520	993	(5,418,520)	53,938
- Right-of-use assets	16,546	336,569	4,573	(336,569)	21,119
Amortisation of land lease prepayments					
	2,118	82,112	-	(82,112)	2,118
Amortisation of intangible assets					
	2,269	180,726	7,027	(180,726)	9,296
Provision for inventories					
	5,250	1,735,498	-	(1,735,498)	5,250
Reversal of provision for inventories sold					
	1,168	943,243	-	(943,243)	1,168
Net provision (reversal) of ECL allowance					
	451,999	(500,000)	23,749	500,000	475,748
Impairment losses on assets					
	4	-	-	-	4
Income tax (credit) expense					
	(4,690)	9,942,539	632	(9,942,539)	(4,058)

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2021

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	3,776,811	175,772,032	4,147,212	(176,423,685)	7,272,370
Interests in a joint venture	–	41,554,943	–	–	41,554,943
Interests in associates	987,766	–	–	–	987,766
Equity investments					9,463
Unallocated assets					126,453
Total assets					49,950,995
Segment liabilities	6,986,992	92,662,146	2,432,461	(93,319,945)	8,761,654
Unallocated liabilities					15,002
Total liabilities					8,776,656
Other disclosures:					
Capital expenditures					
– Owned assets	333,585	12,999,352	5,148	(12,999,352)	338,733
– Right-of-use assets	29,163	451,660	1,134	(451,660)	30,297
Depreciation of property, plant and equipment					
– Owned assets	217,821	4,831,156	1,381	(4,831,156)	219,202
– Right-of-use assets	16,656	291,752	5,469	(291,752)	22,125
Amortisation of land lease prepayments	2,118	81,604	–	(81,604)	2,118
Amortisation of intangible assets	62,457	120,571	6,147	(120,571)	68,604
Provision for inventories	93,465	1,355,897	–	(1,355,897)	93,465
Reversal of provision for inventories sold	9,948	1,136,808	–	(1,136,808)	9,948
Net provision of ECL allowance	1,005,886	500,532	6,044	(500,532)	1,011,930
Impairment losses on assets	2,028,900	–	–	–	2,028,900
Income tax expense	12,455	7,642,295	6,362	(7,642,295)	18,817

4. PROFIT BEFORE INCOME TAX (CREDIT) EXPENSE

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

	2022 RMB'000	2021 RMB'000
Charging:		
ECL allowance on:		
– Accounts receivable	5,624	24,240
– Loan receivables	23,393	6,576
– Other receivables grouped under		
– Current assets	46,664	24,477
– Non-current assets	–	65
– Accounts receivable from affiliated companies	–	86,124
– Amounts due from affiliated companies	405,191	870,448
– Dividend receivable from an affiliated company	53	–
Impairment losses on assets:		
– Owned property, plant and equipment (b)	–	1,356,823
– Owned intangible assets (b)	4	631,968
– Right-of-use assets (b)	–	40,109
Staff costs (including directors' emoluments)	341,675	479,969
Amortisation of intangible assets (a)	9,296	68,604
Amortisation of land lease prepayments	2,118	2,118
Loss on disposal of property, plant and equipment:		
– Owned assets	12,668	1,701
– Right-of-use assets	176	842
Depreciation of property, plant and equipment:		
– Owned assets	53,938	219,202
– Right-of-use assets	21,119	22,125
Cost of inventories	808,517	1,735,230
Exchange loss, net (b)	–	14,445
Provision for inventories	5,250	93,465
Auditors' remuneration (b)	2,499	4,366
Research and development costs (b)	19,078	55,075
Warranty provision (b)	1,378	2,977
Lease charges:		
– Short-term leases with lease terms of 12 months or shorter	6,178	12,678
– Low value items	15	205
Crediting:		
Exchange gain, net (b)	4,848	–
Reversal of provision for inventories sold	1,168	9,948
Rental income from land and buildings	1,031	4,241
Reversal of warranty provision (b)	–	2,935
Reversal of ECL allowance on:		
– Accounts receivable from affiliated companies	5,084	–
– Other receivables grouped under non-current assets	93	–

(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.

5. INCOME TAX (CREDIT) EXPENSE

The income tax (credit) expense recognised in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
<i>Current tax</i>		
PRC corporate income tax		
– Current year	2,162	13,739
– (Over) Under provision in prior years	(6,220)	5,078
Total income tax (credit) expense	(4,058)	18,817

(a) Bermuda tax

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

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2021: nil).

(c) PRC corporate income tax

The Group's subsidiaries incorporated in the PRC are subject to Corporate Income Tax. Under the PRC Corporate Income Tax Law and the respective regulations, the Corporate Income Tax for the subsidiaries, except Mianyang Ruian, is calculated at 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

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

With effect from 1st January, 2008, all profits of the PRC subsidiaries arising since that date that are distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. For the profits generated by the Group's subsidiaries in the PRC, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits. Accordingly, no deferred tax is recognised in respect of this withholding tax on profits of these PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totalled approximately RMB29,063,092,000 at 31st December, 2022 (2021: approximately RMB7,339,846,000).

5. INCOME TAX (CREDIT) EXPENSE (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before income tax (credit) expense	7,142,772	10,459,611
Calculated at a weighted average statutory taxation rate in the PRC of 25.31% (2021: 25.77%)	1,807,577	2,695,704
Effect of tax holiday	(1,077)	(191)
Tax effect of non-taxable income	(132,786)	(4,333)
Tax effect of non-deductible expenses	15,977	76,699
Profits attributable to a joint venture	(594,945)	(3,628,710)
Gain on deconsolidation of subsidiaries	(194,820)	–
Gain on disposal of partial equity interest of a joint venture net of other taxes related to the disposal	597,791	–
(Profits) Losses attributable to associates	(1,635,949)	29,889
Unrecognised temporary differences	(482,376)	592,561
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	622,770	252,120
(Over) Under provision in prior years	(6,220)	5,078
Tax (credit) expense for the year	(4,058)	18,817

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB7,146,895,000 (2021: approximately RMB11,960,525,000) by the weighted average number of ordinary shares of 5,045,269,000 shares (2021: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2022 (2021: same) as there was no potential dilutive ordinary share in issue during the year (2021: same).

7. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

Details of pledged and restricted short-term bank deposits as at 31st December, 2022 are as follows:

	2022 RMB'000	2021 RMB'000
Restricted short-term deposits (Note i)	3,328,387	580,676
Pledged short-term deposits for bank guaranteed notes issued by the Group (Note ii)	133,535	164,519
	3,461,922	745,195

7. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS (Continued)

Note i: Approximately RMB3,326,238,000 (2021: approximately RMB312,552,000) and approximately RMB900,000 (2021: approximately RMB268,124,000) were restricted by the courts in the PRC for potential amounts the Group may need to settle for the lawsuits underway in respect of the unauthorised guarantees as detailed in note 11 of this announcement, and for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgments, respectively.

The directors of the Company have assessed the respective liabilities and adequate provision and liabilities have been recognised in the consolidated financial statements. The directors of the Company considered the respective provision and liabilities are adequate.

Note ii: As at 31st December, 2022, in addition of short-term deposits pledged, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB37.4 million (2021: approximately RMB73.1 million) to secure the issue of bank guaranteed notes.

8. ACCOUNTS RECEIVABLE

	2022 RMB'000	2021 RMB'000
Accounts receivable	279,469	306,755
Accounts receivable from affiliated companies	2,606	4,105
	282,075	310,860

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

	2022 RMB'000	2021 RMB'000
Less than six months	284,736	312,217
Six months to one year	397	4
Above one year but less than two years	2,896	75
Above two years but less than five years	19,081	36,088
Five years or above	18,521	60,832
	325,631	409,216
Less: ECL allowance	(46,162)	(102,461)
	279,469	306,755

8. ACCOUNTS RECEIVABLE (Continued)

As at 31st December, 2022, accounts receivable from third parties of approximately RMB10 million (2021: approximately RMB33 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. Credit limits with credit terms of 30 to 90 days are set for customers. Customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes. Designated staff monitors accounts receivable and follow-up collection with customers.

9. ACCOUNTS PAYABLE

	2022 RMB'000	2021 RMB'000
Accounts payable	344,178	823,527
Accounts payable to affiliated companies	22,651	263,821
	366,829	1,087,348

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

	2022 RMB'000	2021 RMB'000
Less than six months	262,352	294,406
Six months to one year	10,937	320,802
Above one year but less than two years	45,484	24,984
Two years or above	25,405	183,335
	344,178	823,527

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

10. DIVIDENDS

On 13th January, 2023, the Company declared a dividend of HK\$0.96 per share (2021: nil) totalling HK\$4,843,458,000 (2021: nil).

The directors of the Company did not recommend any dividend payment at the Board meeting held on 29th March, 2023 in respect of the Group's 2022 annual results.

11. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

As set out in more details in the Group's consolidated financial statements for the year ended 31st December, 2021, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("SJAI") entered into certain unauthorised guarantees for the repayment of bank borrowings by Huachen to four creditor banks in 2020 and 2021.

Due to the failure of repayment by Huachen, four creditor banks of Huachen commenced legal proceedings against Huachen as the borrower and SJAI as the guarantor. Details of the respective judgments were disclosed in the annual report of the Company for the year ended 31st December, 2021 and the interim report for the six months ended 30th June, 2022. SJAI and the creditor banks filed appeals to the Liaoning High People's Court and the appeal hearings were completed. The appeal judgments have clarified that SJAI shall only be held liable for 50% of such amount which cannot be discharged by the principal borrowers covered by the respective unauthorised guarantees.

Although it is still uncertain as to the losses in these unauthorised guarantees that SJAI will have to bear based on the appeal judgments as the restructuring of Huachen is still ongoing, the Group recognised the provision of RMB1,917,062,000 for the respective losses which is 50% of the bank facilities utilised under these unauthorised guarantees plus the respective legal costs.

OVERVIEW AND PROSPECTS

The Chinese economy continued to face challenges in 2022 and China's GDP grew mildly at 3.0% for the full year. According to the China Association of Automobile Manufacturers, total vehicle production and sales in China increased by 3.4% to 27.0 million units and 2.1% to 26.9 million units respectively in 2022, which ranked the largest in the world consecutively for 14 years. Sales of passenger cars increased by 9.5% to 23.6 million units. Sales of new energy vehicles ("NEVs") (including battery electric vehicles ("BEVs"), plug-in hybrid electric vehicles and also fuel cell vehicles) increased significantly to 6.9 million units, up 93.4% from 2021. Premium passenger vehicle sales continued to grow at 11.1% to 3.9 million units outperforming the overall market. The strong performance of premium passenger vehicle sales was driven by the consumption upgrade trend resulting from the increasing income level of consumers in China.

In spite of the challenging operating environment due to COVID-19 pandemic, temporary shutdown of dealers, geopolitical tension, industry-wide shortage in chip supply and rising raw material costs, BBA continued to deliver remarkable results with both record sales volume and profit for the year and participate in the long-term growth story of China. With strong dedication of the teams and support from BMW, BBA was able to maintain sufficient production to meet strong customer demands. BBA also took advantage of market opportunities to further improve price realisation. At the same time, BBA opened its Dadong Plant extension and new Lydia Plant according to schedule. These new capacities will support the planned launches of new models in 2022 and beyond. BBA's dealer network nationwide reached 625 full service 4S/5S shops by the end of the year.

For new models, BBA successfully launched the All-New BMWi3 (a long-wheelbase BEV version of the 3-series model) and the All-New X5 (a long-wheelbase model) in 2022. Sales of BEVs in China increased by more than 80% and exceeded 39,000 units for the year. BBA exported almost 30,000 units of iX3 in 2022. Going forward, NEVs are expected to constitute a higher percentage of the total production of BBA.

BBA is committed to be a leader in premium e-mobility in China, and is working with BMW to explore new technologies and accelerate sustainability throughout the entire electric vehicle value chain. Ling Yue Digital Information Technology Company Limited, a wholly-owned subsidiary of BBA, provides services including data solutions, digital solutions, customer relationship management, e-commerce and IT development and operations for BBA and BMW entities in China. Its core competencies have enhanced customer interaction and satisfaction (via over 7 million users of *My BMW App*), acted as a customer relationship management tool and identified sales leads, and also drove e-commerce transactions.

In 2022, Ningbo Yumin achieved a mild growth in revenue but margin was squeezed by price cuts from customers and inflated key raw material (aluminium alloys) costs. It has secured 5 new customers (including 2 overseas customers) and undertook 20 new development projects. The number of new businesses increased by 70% year-on-year, and a number of innovative products were developed. Ningbo Yumin was rated as a Zhejiang provincial level enterprise technology research and development (“R&D”) center. In 2022, its production and sale of sunroof guide rail products accounted for about 21% of the market share in China and maintained its number one position.

Mianyang Ruian, another wholly-owned subsidiary of the Company, continued to engage in the R&D and manufacture of camshafts for petrol vehicle and EV engines. In 2022, it achieved single digit growth in sales and profit amid challenging operating environment. Vehicles equipped with its products (such as NEVs of Li Auto and Geely) were launched with favourable response and sales performance. Mianyang Ruian will take advantage of its core R&D capability to actively participate in the NEV sector, and make efforts to achieve breakthroughs in the range-extended hybrid and plug-in hybrid vehicle segments.

Our minibus and light commercial vehicle business carried out by RBJAC has applied to Shenyang Intermediate People’s Court on 30th December, 2021 for a restructuring which had been ongoing throughout 2022. The Board is evaluating various strategic options for RBJAC from an operational perspective.

Despite the overall challenging operating environment and the higher refinancing costs that BBAFC, our auto finance subsidiary in China, was facing due to the ongoing and extended Hauchen group restructuring, it achieved profitable results in 2022. BBAFC has expanded its new business cooperation with carefully selected NEV partners in China including Tesla and Li Auto. In February 2023, BBAFC successfully completed its first green and carbon neutral RMB235 million syndication bank loan which paved the way for more stable and diversified funding sources.

During the year, the Board had resolved to declare a special dividend of HK\$0.96 per ordinary share of the Company in connection with the disposal of its 25% interest in BBA. With China’s ambition to resume its normal growth trajectory post pandemic since the beginning of 2023, the Board is optimistic about the performance of our group companies. In addition, the Board will continue to seek suitable strategic investments primarily within the automobile industry value chain which could generate sustainable business growth for the Group.

BUSINESS DISCUSSION & ANALYSIS

The consolidated revenues of the Group (which comprised primarily net sales derived from the businesses operated by our major operating subsidiaries including Ningbo Yumin, Mianyang Ruian and BBAFC) for the year ended 31st December, 2022 was RMB1,130.7 million, representing a decrease of 47.2% from the RMB2,141.9 million generated during the year ended 31st December, 2021. The main reason for the decrease was due to the exclusion of the sales of minibuses and MPVs of RBJAC as its financial statements were deconsolidated from the Group’s consolidated financial statements for the year ended 31st December, 2022. The decrease in revenues was also due to reduced revenue contribution from BBAFC as a result of citywide COVID-19 induced lockdowns in Shanghai during the year causing major business disruptions.

Cost of sales decreased by 54.4% from RMB1,961.2 million in 2021 to RMB895.2 million in 2022. The gross profit of the Group increased by 30.4% from RMB180.7 million in 2021 to RMB235.6 million in 2022. Consequently, the gross profit margin of the Group improved to 20.8% in 2022 when compared to 8.4% in 2021. The improvement was due to the exclusion of negative RBJAC gross profit contribution as a result of its deconsolidation from the Group’s consolidated financial statements in 2022.

Other income increased by 161.4% from RMB53.4 million in 2021 to RMB139.6 million in 2022. The increase was mainly due to recognition of compensation income from the local government for the relocation of certain premises of a subsidiary.

Interest income increased 8.4 times from RMB49.8 million in 2021 to RMB416.3 million in 2022 due to increases in short-term bank deposits and cash and cash equivalents as a result of the consideration payment received in February 2022 from the disposal of 25% equity interest in BBA and the dividend income from BBA.

Selling expenses decreased by 75.9% from RMB140.5 million in 2021 to RMB33.9 million in 2022. The decrease in selling expenses was mainly due to the exclusion of RBJAC selling expenses as a result of its deconsolidation from the Group's accounts in 2022. As a result, selling expenses as a percentage of revenue has decreased from 6.6% in 2021 to 3.0% in 2022.

General and administrative expenses (excluding net ECL allowance on loans and receivables) decreased by 85.1% from RMB2,941.5 million in 2021 to RMB437.8 million in 2022. The decrease was caused by the deconsolidation of RBJAC from the Group's consolidated financial statements in 2022. In addition, there was large impairment loss recognised for property, plant and equipment and intangible assets in 2021 as a result of the suspension of certain production of minibuses, MPVs and automotive components and the restructuring of RBJAC. On the other hand, the decrease in general and administrative expenses in 2022 was partly offset by one-off employee compensation expenses incurred for resizing the operations of certain subsidiaries of the Group in 2022.

Net ECL allowance on loans and receivables decreased by 53.0% from RMB1,011.9 million in 2021 to RMB475.7 million in 2022. The ECL allowance for 2021 was mainly provided for the Group's affiliated companies while the ECL allowance for 2022 was mainly for the deconsolidated subsidiaries, particularly for RBJAC.

Finance costs decreased by 89.7% from RMB125.7 million in 2021 to RMB12.9 million in 2022 due to the decrease of bank borrowings during 2022 and the exclusion of bank borrowings of RBJAC as a result of deconsolidating its financial statements from the Group's consolidated financial statements.

The Group's share of results of a joint venture represents contribution from BBA as a joint venture. Net profit contributed to the Group by BBA as a joint venture decreased by 83.6% from RMB14,514.8 million in 2021 to RMB2,379.8 million in 2022. It is mainly due to the reclassification of BBA from a joint venture to an associate when the sale of 25% BBA equity interest to BMW Holding B.V. ("BMW") became effective in February 2022. Starting from 11th February, 2022, BBA is treated as an associate of the Company. As a result, the Group's share of results of associates registered profits of RMB6,543.8 million in 2022 in comparison to losses of RMB119.6 million in 2021.

BBA achieved local sales of 664,934 units in 2022, an increase of 2.0% as compared to 652,000 BMW vehicles sold in 2021. The local sales volumes of BBA by models are listed in the table below:

BMW Models	2022	2021	% Change
1-series	24,195	36,350	-33.4%
3-series	161,721	173,000	-6.5%
5-series	173,977	172,854	0.6%
X1	81,895	95,089	-13.9%
X2	18,506	23,300	-20.6%
X3	146,407	151,407	-3.3%
X5	58,233	-	n/a
Total	664,934	652,000	2.0%
Of which BEVs	45,364	22,452	102.0%

In addition, BBA also has started prominent export sales. It had 30,005 units, mainly X3 BEV models, sold overseas in 2022, an increase by 37.1% from 21,888 units sold overseas in 2021.

The gain on disposal of partial equity interest in a joint venture of RMB4,895.9 million recorded in 2022 represents the gain from disposal of the 25% equity interest in BBA by the Group to BMW which became effective on 11th February, 2022.

The other taxes related to the disposal of RMB7,287.1 million recorded in 2022 represents taxes paid on capital gains derived from the disposal of the 25% equity interest in BBA.

The gain on deconsolidation of subsidiaries of RMB779.3 million recorded in 2022 represents gain realised upon deconsolidation of RBJAC and Shenyang Brilliance Jindong Development Co., Ltd. from the Group's consolidated financial statements in 2022.

The Group's profit before income tax expense amounted to RMB7,142.8 million in 2022, as compared to RMB10,459.6 million in 2021. Income tax expense turned from an expense of RMB18.8 million in 2021 to a credit of RMB4.1 million in 2022, due to over-provision of income tax of subsidiaries in prior year.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB7,146.9 million for the year 2022, representing a decrease of 40.2% from the RMB11,960.5 million realised in 2021. Basic earnings per share in 2022 amounted to RMB1.41655, compared to RMB2.37064 in 2021. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2022 was 15.5%, compared to 29.2% for 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2022, the Group had RMB28,463.3 million in cash and cash equivalents (As at 31st December, 2021: RMB1,049.3 million), RMB32.5 million in statutory deposit reserves at central bank (As at 31st December, 2021: RMB32.5 million), and RMB3,461.9 million in pledged and restricted short-term bank deposits (As at 31st December, 2021: RMB745.2 million).

As at 31st December, 2022, the Group had notes payable in the amount of RMB170.1 million (As at 31st December, 2021: RMB334.4 million).

As at 31st December, 2022, the Group had outstanding short-term bank borrowings of RMB350.0 million (As at 31st December, 2021: RMB2,167.3 million), and long-term bank borrowings due within one year of RMB7.5 million (As at 31st December, 2021: RMB390.6 million). As at 31st December, 2022, the Group did not have long-term bank borrowings over one year (As at 31st December, 2021: RMB7.5 million).

All short-term bank borrowings as at 31st December, 2022 were due within one year, being repayable from 6th January, 2023 to 20th December, 2023 (As at 31st December, 2021: repayable from 6th January, 2022 to 21st December, 2022). As at 31st December, 2022, these borrowings were interest-bearing at rates ranging from 5.50% to 5.65% per annum, and were denominated in Renminbi (As at 31st December, 2021: 5.03% to 8.00% per annum, Renminbi).

All long-term bank borrowings as at 31st December, 2022 were due within one year, being repayable from 20th January, 2023 to 20th October, 2023 (As at 31st December, 2021: RMB390.6 million, repayable from 20th January, 2022 to 20th December, 2022). As at 31st December, 2022, these long-term bank borrowings were interest-bearing at rates ranging from 4.30% to 4.60% per annum, and were denominated in Renminbi (As at 31st December, 2021: 4.10% to 5.23% per annum, Renminbi).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the year ended 31st December, 2022, the Group's accounts receivable turnover days was approximately 94 days, compared to approximately 101 days for 2021. Inventory turnover days was approximately 88 days in 2022, compared to approximately 83 days in 2021.

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2022, the Group's total assets was approximately RMB55,426.6 million (As at 31st December, 2021: RMB49,951.0 million), which was funded by the following: (a) share capital of RMB397.2 million (As at 31st December, 2021: RMB397.2 million), (b) reserves of RMB51,048.1 million (As at 31st December, 2021: RMB41,931.5 million), (c) total liabilities of RMB3,209.8 million (As at 31st December, 2021: RMB8,776.7 million) and (d) contribution from non-controlling interests of RMB771.6 million (As at 31st December, 2021: negative contribution of RMB1,154.4 million).

As at 31st December, 2022, 99.9% (As at 31st December, 2021: 90.9%) 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 0.1% were denominated in other currencies (As at 31st December, 2021: 0.7% and 8.4% denominated in U.S. Dollar and other currencies, respectively). Apart from the bank borrowings mentioned above, as at 31st December, 2022, the Group did not have 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. 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 EXPENDITURES AND COMMITMENTS

In 2022, the Group incurred capital expenditures of RMB47.5 million (2021: RMB369.0 million) mainly for acquisition of both owned and right-of-use assets of tools and moulds, machinery and equipment, and construction-in-progress as well as specialised software.

As at 31st December, 2022, the Group's contracted capital commitments amounted to RMB4.0 million (As at 31st December, 2021: RMB832.9 million), which were related to the capital expenditures in respect of acquisition of plant and machinery. At 31st December, 2021, capital commitments consisted of capital commitments of approximately RMB820.3 million contracted but not provided for by RBJAC, which was no longer the Group's capital commitments upon the deconsolidation of RBJAC in the year and at 31st December, 2022.

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

On 11th February, 2022, BBA has received the new business license from the Shenyang Dadong Administration for Market Supervision, effective as of 11th February, 2022, evidencing BMW as holder of the 25% equity interest originally held by SJAI in BBA. On 18th February, 2022, completion of the disposal of the said 25% equity interest in BBA by SJAI to BMW (the “Disposal”) had taken place. The total amount of the consideration in the sum of RMB27,941,146,575.34 was received by SJAI on 18th February, 2022. Following completion of the Disposal, the Company continues to indirectly hold 25% equity interest in BBA, which is an associate of the Company, and its financial results will continue to be equity accounted for in the financial statements of the Group.

Save as aforesaid, 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, 2022.

NEW BUSINESS AND NEW PRODUCTS

BBA will continue to introduce new BMW models of both internal combustion engine and battery electric drivetrains into the Chinese market over the next few years. The first locally-produced X5 and first electrified 3-series long-wheelbase i3 models were launched to the market in 2022. For 2023, BBA has plans for various models including new version(s) of the X1 model.

Ningbo Yumin plans to further develop lightweight products related to aluminium alloys, such as bumper anti-collision beams, door sills, pedals, battery box shells and frames and mounting brackets.

Mianyang Ruian will continue to expand the market share of camshafts for commercial vehicles and will focus on the development of core parts such as resin gears.

BBAFC’s business strategy remains firmly fixated on the NEV segment, which is supported by the prolific nationwide NEV development in mainland China over the past 12 months. This strategic focus has been further materialized through the conclusion of cooperation agreement with globally reputable NEV brands in early 2023.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 1,300 employees as at 31st December, 2022 (As at 31st December, 2021: approximately 4,113). Employee costs amounted to RMB341.7 million for the year ended 31st December, 2022 (For the year ended 31st December, 2021: RMB480.0 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 order to improve the overall quality and professional technical level of all employees, Ningbo Yumin and Mianyang Ruian provide training for employees from time to time. Both companies have formulated and implemented administrative measures for education and training, and have established a set of training systems and workflows including new employee induction training, special post personnel training, management training, professional technical training and quality training. The course contents are extensive, covering basic/middle-level management, new product development, quality management, financial management, lean production, teamwork, and professionalism. Training demand research are conducted and training plans are formulated on an annual basis. BBAFC has specifically arranged compliance training, business training, new hire training, paired with online courses, meeting the learning needs of the employees. BBAFC has also developed a succession plan in 2022 which lays a solid foundation of talent for its long-term development.

CHARGE ON ASSETS

As at 31st December, 2022, short-term bank borrowings of RMB200.0 million (As at 31st December, 2021: RMB567.7 million) were secured by the Group's loan receivables of approximately RMB249.5 million (As at 31st December, 2021: secured by land lease prepayments of approximately RMB2.0 million, buildings, tools and moulds, machinery and equipment and construction-in-progress totalling approximately RMB108.8 million, and loan receivables of RMB718.6 million).

As at 31st December, 2022, all long-term bank borrowings (As at 31st December, 2021: RMB398.1 million) were secured by the Group's land lease prepayments with a net book value of approximately RMB28.1 million (As at 31st December, 2021: approximately RMB28.8 million), and buildings, plant and equipment with an aggregate net book value of approximately RMB35.4 million (As at 31st December, 2021: approximately RMB43.9 million). The long-term bank borrowings at 31st December, 2021 were also secured by loans receivable of approximately RMB709.3 million.

In addition, as at 31st December, 2022, the Group pledged short-term bank deposits in an aggregate amount of RMB133.5 million (As at 31st December, 2021: RMB164.5 million), and pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB37.4 million (As at 31st December, 2021: approximately RMB73.1 million) to secure the issue of bank guaranteed notes. For details, please refer to note 7 to this announcement.

As at 31st December, 2022, the Group had restricted short-term bank deposits of approximately RMB3,328.4 million (As at 31st December, 2021: RMB580.7 million), of which approximately RMB3,326.2 million (As at 31st December, 2021: RMB312.6 million) were restricted by the courts in the PRC for potential amounts the Group may need to settle for the lawsuits underway in respect of the unauthorised guarantees as detailed in note 11 of this announcement. Remaining approximately RMB900,000 (As at 31st December, 2021: approximately RMB268,124,000) was restricted by the courts in the PRC for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgments.

The directors of the Company have assessed the respective liabilities and adequate provision and liabilities have been recognised in the consolidated financial statements. The directors of the Company considered the respective provision and liabilities are adequate.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

Save as disclosed, the Group does not have future plans for material investments or additions of capital assets as at the date of this announcement.

GEARING RATIO

As at 31st December, 2022, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.06 (As at 31st December, 2021: approximately 0.21). The decrease in the gearing ratio was primarily due to the significant decrease in total current liabilities and the increase in total equity attributable to equity holders of the Company in 2022.

FOREIGN EXCHANGE RISKS

The Group considers that exchange rate fluctuations do not have significant effect on the overall financial performance of the Group as substantial transactions during the year were denominated in Renminbi. The Group will continue to monitor transactions and monetary assets and liabilities denominated in foreign currencies to minimise foreign exchange risks. There were no outstanding hedging transactions as at 31st December, 2022 (As at 31st December, 2021: nil).

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31st December, 2022.

DIVIDENDS

The directors of the Company did not recommend any dividend payment at the Board meeting held on 29th March, 2023 in respect of the Group's 2022 annual results.

As disclosed by the Company previously, a special dividend of HK\$0.96 per ordinary share of the Company (the "**Special Dividend**") was declared by the directors of the Company on 13th January, 2023. The Special Dividend was paid on 27th February, 2023.

Reference is made to the announcements made by the Company on 22nd August, 2022 and 13th January, 2023 regarding the use of the net proceeds (the "**Net Proceeds**") from the Disposal. Albeit the recent volatile market conditions, the Company continues to consider various options to create value for its shareholders with the net proceeds of the Disposal in light of the financial and cash flow position of the Company. The Company will update shareholders on the decision of the Board no later than 30th June, 2023.

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Tuesday, 20th June, 2023 at 9:00 a.m. (the "**2023 AGM**"). The register of members of the Company will be closed from Wednesday, 14th June, 2023 to Tuesday, 20th June, 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2023 AGM is Wednesday, 14th June, 2023. Only shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 14th June, 2023 or their proxies or duly authorised corporate representatives are entitled to attend and vote at the 2023 AGM. In order to qualify for attending and voting at the 2023 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, Wanchai, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Tuesday, 13th June, 2023.

PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2023 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, Wanchai, Hong Kong before 9:00 a.m., Hong Kong time, on Sunday, 18th June, 2023, or not less than 48 hours before the time appointed for holding of any adjourned meeting of the 2023 AGM. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the 2023 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 below, to the knowledge of the directors of the Company, there is no other important event affecting the Group since the end of the financial year and up to the date of this announcement:

(a) Restructuring of RBJAC

Reference is made to the interim report of the Company for the six months ended 30th June, 2022 (the “**2022 Interim Report**”).

As the formal plan for the RBJAC Restructuring (as defined in the 2022 Interim Report) is still being formulated, an application was made by RBJAC to the Shenyang Intermediate People’s Court for the postponement of the submission of the plan for the RBJAC Restructuring till 12th April, 2023. For further details, please refer to the Company’s announcements dated 30th December, 2021, 12th January, 2022 and 24th May, 2022. The Company will continue to closely monitor the development of the RBJAC Restructuring and actively cooperate with the subsequent restructuring procedures imposed by the Shenyang Intermediate People’s Court and will keep the shareholders of the Company and the public informed of any major developments in relation to the RBJAC Restructuring by issuing further announcement(s) as and when appropriate.

(b) Litigations against the Group

References are made to the 2022 Interim Report and the announcement of the Company dated 30th September, 2022 (the “**September Announcement**”).

- (i) The appeal hearings to the Appeal Judgments (as defined in the September Announcement) have been completed and the Liaoning High People’s Court has clarified that SJAI shall only be held liable for 50% of such amount of the Appeal Judgments which cannot be discharged by the principal borrowers.
- (ii) At the request of 中國光大銀行股份有限公司瀋陽分行 (China Everbright Bank Co., Ltd. (Shenyang Branch)*), the Shenyang Intermediate People’s Court had ordered that the CEB Freezing Orders (as defined in the 2022 Interim Report) be extended for a further period of 12 months commencing from 21st February, 2023 or until the respective CEB Freezing Orders have been discharged.
- (iii) On 28th January, 2023, 華夏銀行股份有限公司瀋陽和平支行 (Huaxia Bank Co., Ltd. (Shenyang Heiping Branch)*) has filed an application to the Shenyang Intermediate People’s Court for an enforcement order against the Huaxia Bank RMB69 million Proceeding Trial Judgment (as defined in the 2022 Interim Report) and the Huaxia Bank RMB130 million Proceeding Trial Judgment (as defined in the 2022 Interim Report).
- (iv) On 27th February, 2023, SJAI received an enforcement notice from the Shenyang Intermediate People’s Court ordering SJAI to perform its obligations under the EIB Proceeding Trial Judgment (as defined in the 2022 Interim Report).
- (v) On 10th February, 2023, the Shenyang Intermediate People’s Court ordered that an amount of RMB92,019,271.44 be released from the Huaxia Bank Freezing Order (as defined in the 2022 Interim Report) and the remaining balance under the Huaxia Bank Freezing Order in the aggregate amount of RMB107,600,000 be subject to further freezing orders (the “**Extended Huaxia Bank Freezing Orders**”) for a period of 12 months (with commencement dates ranging from 10th February, 2023 and 17th February, 2023) or until the respective Extended Huaxia Bank Freezing Orders have been discharged.

- (vi) In relation to the Harbin Bank RMB300 million Proceeding Trial Judgment (as defined in the 2022 Interim Report), the Shenyang Intermediate People’s Court had ordered that on 6th March, 2023 an amount of approximately RMB151 million be released from the court order issued to freeze bank deposits of SJA I deposited with Shengjing Bank Co., Ltd. in the amount of approximately RMB301 million, and the remaining balance under such freezing order in the amount of RMB150 million be subject to further freezing order (the “**Extended Harbin Bank Freezing Order**”) for a period of 12 months from 6th March, 2023 or until the Extended Harbin Bank Freezing Order has been discharged.

For further details on the above litigations, please refer to the announcements issued by the Company dated 14th April, 2021, 10th June, 2021, 30th September, 2021, 15th December, 2021, 30th December, 2021, 14th February, 2022, 4th March, 2022, 30th March, 2022, 28th April, 2022, 30th June, 2022 and the September Announcement; and the annual report of the Company for the year ended 31st December, 2021 and the 2022 Interim Report. The Company will inform the shareholders and potential investors of the Company of material progress of the legal proceedings when appropriate.

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 2022.

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/she has complied with the standards set out in the Model Code during the year ended 31st December, 2022.

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, ensuring that its affairs are conducted in accordance with applicable laws and regulations and consistent with the “Corporate Governance Code” set out in Appendix 14 to the Listing Rules which was prevailing in 2022 (the “**CG Code**”). The Group has considered the principles of good corporate governance set out in the CG Code, and has put in place corporate governance practices to meet the code provisions. Throughout the financial year ended 31st December, 2022, the Group has complied with all code provisions set out in Part 2 of Appendix 14 to the Listing Rules which were in effect for the financial year 2022 except for the followings:

- It has always been the practice of the Company to provide directors with monthly updates of the Company to facilitate an assessment of the Company’s performance, position and prospects. However, due to the delay in the publication of the 2021 annual results and the 2022 interim results, the Company was unable to provide monthly updates of the Company to all members of the Board pursuant to code provision D.1.2 of the CG Code.

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 reporting matters, including the consolidated financial statements of the Group for the year ended 31st December, 2022.

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2022 have been agreed by Grant Thornton Hong Kong Limited, the Company's auditor (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor 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 Auditor on the preliminary announcement.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31st December, 2022.

"In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, **the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31st December, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended** in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As stated in our Independent Auditor's Report on the Group's financial statements for the year ended 31st December, 2021 dated 26th August, 2022, regarding the matters described in note 2 to the consolidated financial statements for the year ended 31st December, 2021, we were unable to obtain satisfactory explanations and adequate evidence related to certain fund flows and the corresponding expected credit loss allowance in relation to the balances resulting from these fund flows in 2021. Because of this matter having a possible effect on the comparability of the corresponding figures for the current year in the consolidated statements of profit or loss, comprehensive income and cash flows for the year ended 31st December, 2022, our opinion on the consolidated financial statements is therefore qualified in these respects.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

PUBLICATION OF ANNUAL REPORT

The 2022 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.

PROPOSED AMENDMENTS TO THE EXISTING BYE-LAWS AND PROPOSED ADOPTION OF THE NEW BYE-LAWS

The Board proposes to make certain amendments to the existing bye-laws of the Company (the “**Existing Bye-laws**”) in order to (i) conform to the core shareholder protection standards set out in Appendix 3 to the Listing Rules; (ii) allow general meetings to be held as a hybrid meeting or an electronic meeting where shareholders of the Company may attend by electronic means in addition to physical meeting where the shareholders attend in person; (iii) bring the Existing Bye-laws in line with the relevant requirements of the Listing Rules and the applicable laws of Bermuda; and (iv) make some other housekeeping amendments, including consequential amendments in line with the above amendments to the Existing Bye-laws.

The Board also proposes to adopt a new set of bye-laws in substitution for, and to the exclusion of, the Existing Bye-laws by way of a special resolution to be approved by the shareholders at the 2023 AGM.

A circular containing the relevant details will be despatched to the shareholders in April 2023.

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. Shen Tie Dong (*Chief Executive Officer*), Mr. Zhang Wei and Mr. Xu Daqing; and four independent non-executive directors: Mr. Song Jian, Mr. Jiang Bo, Mr. Dong Yang and Dr. Lam Kit Lan, Cynthia.

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

Hong Kong, 29th March, 2023