

BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD

Form 20-F/A

June 29, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 20-F/A

- o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

- o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2003

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 1-11412

BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

Bermuda

(Translation of Registrant's name into English)

Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong

(Jurisdiction of Incorporation or Organization)

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Exchange on which registered

American Depositary Shares
Ordinary Shares, par value US\$0.01 per share

New York Stock Exchange, Inc.
The Stock Exchange of Hong Kong Limited

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2003:

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3,668,390,900 Ordinary Shares, par value US\$0.01 per share

2,764,383 American Depositary Shares, each representing 100 Ordinary Shares

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

EXPLANATORY NOTE

On June 24, 2004, Brilliance China Automotive Holding Limited filed its annual report on Form 20-F for the fiscal year ended December 31, 2003. At the time the annual report was filed, an incorrect file was inadvertently uploaded. This amendment on Form 20-F/A is filed solely for the purpose of replacing the incorrect file, which is the chart under the heading "Organizational Structure" in Item 4. Information on the Company .

ITEM 4. INFORMATION ON THE COMPANY

History and Development of Brilliance China Automotive

Brilliance China Automotive Holdings Limited was established as an exempted company with limited liability under the laws of Bermuda on June 9, 1992. Brilliance China Automotive's principal place of business is Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong, telephone number: (852) 2523-7227.

Brilliance China Automotive was initially established to hold a 51.0% interest in Shenyang Brilliance JinBei Automobile Co., Ltd. (formerly known as Shenyang JinBei Passenger Vehicle Manufacturing Company, Ltd.), or Shenyang Automotive, currently the leading manufacturer and distributor of minibuses in China and also the manufacturer of Zhonghua sedans. Shenyang Automotive was established as a Sino-foreign equity joint venture enterprise on July 22, 1991. The term of Shenyang Automotive is perpetual as a result of an amendment made to Shenyang Automotive's joint venture contract in February 2003. The other 49.0% of Shenyang Automotive was owned by Shenyang JinBei Automotive Company Limited (formerly Shenyang Brilliance Automotive Company Limited and FAW-JinBei Automotive Company Limited), or JinBei.

On December 29, 2003, Brilliance China Automotive, through Shenyang Xinjinbei Investment and Development Co., Ltd., or SXID, and Shenyang JinBei Automotive Industry Holdings Co., Ltd., or SJAI, its 99.0% and 98.0% indirectly owned subsidiaries, respectively, entered into agreements to acquire the entire equity interests of Shenyang Automobile Industry Asset Management Company Limited, or SAIAM, and Shenyang Xinjinbei Investment Co., Ltd, or SXI. SAIAM and SXI own 29.9% and 11%, respectively, of the issued share capital of JinBei. Upon receipt of the necessary governmental approvals for this transaction, Brilliance China Automotive will have an effective interest of approximately 40.1% of JinBei, thereby increasing its effective interest in Shenyang Automotive from 51.0% to approximately 70.7%. This acquisition is expected to be completed in the second half of 2004.

Prior to May 1998, Brilliance China Automotive's sole operating asset was its interest in Shenyang Automotive. On May 18, 1998, Brilliance China Automotive acquired 50% and 51% equity interests, respectively, in Mianyang Xincheng Engine Co., Ltd., or Mianyang Xincheng, a manufacturer of gasoline engines for use in passenger vehicles and light duty trucks, and Ningbo Yuming Machinery Industrial Co., Ltd., or Ningbo Yuming, a producer of automobile windows and window molding and stripping. Mianyang Xincheng is a Sino-foreign joint venture whose 50-year term will expire in 2048. Ningbo Yuming is a wholly foreign-owned enterprise with a 50-year term that will expire in 2043.

On October 12, 1998, June 9, 2000 and July 3, 2000, Brilliance China Automotive established wholly owned subsidiaries (1) Shenyang XingYuanDong Automobile Component Co., Ltd., or Xing Yuan Dong, (2) Ningbo Brilliance Ruixing Auto Components Co., Ltd., or Ningbo Brilliance Ruixing, and (3) Mianyang Brilliance Ruian Automotive Components Co., Ltd., or Mianyang Brilliance Ruian, respectively, to centralize and consolidate the sourcing of automotive parts and components for Shenyang Automotive, Ningbo Yuming, and Mianyang Xincheng, respectively. In 2001, all three companies, in order to maintain their preferential tax treatment from the Chinese government, also began manufacturing automotive components as well.

On December 11, 2000, Brilliance China Automotive acquired from Brilliance Holdings Limited, an affiliated company, a 50.0% equity interest in Shenyang Xinguang Brilliance Automobile Engine Co., Ltd., a Sino-foreign equity joint venture manufacturer of gasoline engines for use in passenger vehicles and light duty trucks. Shenyang Automotive is a major customer of each of these companies. Brilliance China Automotive believes that the acquisition of these components suppliers has enabled it to maintain the quality and ensure a stable supply of certain key components required for the production needs of Shenyang Automotive.

At the end of 1998, Shenyang Automotive began to construct new production lines for the manufacture of sedans and multi-purpose vehicles, or MPVs. These new production lines were completed in mid-2002, and reached a total annual production capacity of 100,000 sedans or MPVs as at the end of 2002. Beginning in 1999, Shenyang Automotive implemented an expansion of its minibus facilities that resulted in an increase in its annual production capacity for deluxe and mid-priced minibuses from 40,000 units to 70,000 units in 2002 (based on two shifts per day). The stamping and assembly workshops currently have annual production capacities of 80,000 and 90,000 units, respectively, based on two shifts of workers, and can be increased to 120,000 units based on three shifts. In 2003, Shenyang Automotive constructed a new painting facility with a capacity of 120,000 units per year.

Under an acquisition agreement dated April 25, 1998 between Shenyang Automotive and Shenyang State Assets Administration Bureau, Shenyang Automotive was to acquire a 21.0% indirect interest in Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd., or Shenyang Aerospace, a Sino-foreign equity joint venture. A revised agreement was subsequently signed on August 15, 1999 among Shenyang Automotive, Shenyang State Assets Administration Bureau, Shanghai Brilliance Industrial Company Limited and Xing Yuan Dong, under which Shenyang Automotive's effective interest in Shenyang Aerospace was reduced to 16.8% in exchange for cash consideration and the remaining 4.2% effective interest was transferred to Xing Yuan Dong at cost. At the completion of the transfer on May 25, 2000, Brilliance China Automotive's indirect effective interest in Shenyang Aerospace was 12.8%.

On December 17, 2001, Shenyang Automotive entered into an agreement with Toyota Motor Corporation for the transfer of technology relating to the fifth generation of the Toyota minibus, the Granvia, which Shenyang Automotive markets under the brand name Grace in China. Production of this minibus model based on semi-knockdown kits from Toyota began in the second half of 2002 and commercial production using domestic parts and components has commenced in the first half of 2004.

The Zhonghua sedan, designed by the world-renowned Italdesign, was launched to the market in China in August 2002, after approval for production and sale of the Zhonghua sedan was obtained from the Chinese government in May 2002.

In December 2002, Xing Yuan Dong disposed of its entire equity interest in the automobile-related product investment holding company, China Zhengtong Investment Holdings Co., Ltd. to an affiliated company at cost, or Rmb 480.0 million.

On March 27, 2003, Brilliance China Automotive, through its indirect subsidiary, SJAI, entered into a joint venture contract with BMW Holding to produce and sell BMW sedans in China. On April 28, 2003, Brilliance China Automotive increased its effective interest in SJAI from 81% to 89.1% and thereby increased its effective interest in the joint venture with BMW Holding BV from 40.5% to 44.55%. On December 16, 2003, Brilliance China Automotive further increased its effective interest in the joint venture to 49.0%. The BMW joint venture received its business license on May 22, 2003 and introduced the BMW designed and branded 3-Series and 5-Series sedans in October and November of 2003, respectively, based on semi-knockdown kits supplied by BMW.

Brilliance China Automotive currently has no acquisitions or divestitures planned or pending.

For additional information see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Capital Expenditures .

Business Overview

Brilliance China Automotive's core businesses are the manufacture and sale of minibuses and Zhonghua sedans in China through its subsidiary, Shenyang Automotive. We also have a joint venture with BMW to produce and sell 3-Series and 5-Series sedans in China. In 2003, Shenyang Automotive sold a total of 74,618 minibuses and 25,600 Zhonghua sedans, representing approximately 16.9% and 1.3% of all minibuses and sedans sold in China, respectively, during the same period. This represented a 14.6% increase from the minibus sales volume in 2002, and a significant increase in sedan sales due to the limited sedan manufacturing period in 2002. Brilliance China Automotive's 49%-indirectly owned BMW joint venture also commenced production of the BMW-designed and branded sedans and sold 4,359 of the 3-Series and 5-Series sedans in the last quarter of 2003. Currently, Shenyang Automotive has an annual production capacity of 80,000 units of deluxe and mid-priced minibuses (based on two shifts per day), 120,000 units of deluxe and mid-priced minibuses (based on three shifts per day), and 100,000 units of Zhonghua sedans (based on two shifts per day).

Shenyang Automotive's production facilities are located in the industrial city of Shenyang, the capital of Liaoning Province in northeastern China. Shenyang Automotive's principal products are the deluxe minibus, the mid-priced minibus and the Zhonghua sedan. The mid-priced minibuses accounted for approximately 49.1% of the total sales revenue of Shenyang Automotive and its subsidiaries in 2003, compared with 62.8% of total sales revenue in 2002. This percentage decrease is primarily due to the increase in sales of the Zhonghua sedans in 2003 resulting from the first full year of production for the sedans. The deluxe and mid-priced minibuses are 8 to 15-seat minibuses adapted from Toyota's Hiace and Granvia minibuses.

In early 2000, Shenyang Automotive successfully launched an electronic fuel injection mid-priced minibus model, which passed the stricter gasoline vehicle emission standards implemented on January 1, 2000 by Beijing, Tianjin and Yunnan Province. These emission standards have since been adopted nationwide in China. In early 2001, Shenyang Automotive began to install multiple electronic fuel injection engines, which are currently used in all of Shenyang Automotive's mid-priced minibuses. With the installation of this engine in the mid-priced minibus, currently all of Shenyang Automotive's minibuses meet European II emission standards. In 2004, the Chinese government began to encourage its automobile manufacturers to meet the European III emission standards. Shenyang Automotive expects both its minibuses and Zhonghua sedans to meet European III emission standards in the second half of 2004.

Shenyang Automotive commenced production of the fifth generation of the Toyota minibus, the Granvia, based on semi-knockdown kits supplied by Toyota in 2003 and also commenced commercial production of the Granvia using domestic parts and components in the first quarter of 2004.

Shenyang Automotive's sales volume grew 35.5% from 73,954 units in 2002 to 100,218 units in 2003. The 2003 figure includes 74,618 minibuses and 25,600 Zhonghua sedans. In addition to these sales, our joint venture, BMW Brilliance Automotive Ltd., or BMW Brilliance, sold 4,359 BMW-branded sedans in 2003. Shenyang Automotive's sales growth in China has been supported by a substantial network of more than 800 minibus distributors, including over 250 exclusive minibus distributors, and over 110 sedan distributors, as well as over 330 after-sales service centers for minibuses and over 150 for

sedans. Shenyang Automotive also continued to implement its 4S sales center system, combining sales, after-sales service, spare parts and surveys in one location. As of the end of 2003, Shenyang Automotive had over 80 4S dealership outlets for minibuses and over 70 authorized 4S dealership outlets for Zhonghua sedans nationwide.

For the year ended December 31, 2003, Brilliance China Automotive reported sales of Rmb 10,109.6 million (US\$1,221.0 million) and net income of Rmb 780.8 million (US\$94.3 million), representing an increase of approximately 38.1% and 27.9%, respectively, compared to 2002.

Principal Products

Shenyang Automotive's principal products are (1) minibuses and (2) Zhonghua sedans.

Shenyang Automotive's principal minibus products are the deluxe minibus and the mid-priced minibus, which constituted approximately 12.7% and 49.1% of total 2003 sales revenue, respectively. These vehicles are used primarily for passenger transportation but can also be modified for use as police vans, ambulances or other specialty vehicles. Shenyang Automotive sells all of its minibuses under the JinBei brand name in a variety of models designed to meet the requirements of particular market segments. Brilliance China Automotive believes that Shenyang Automotive's minibuses have established a reputation in China for high quality and reliability that has enabled Shenyang Automotive to maintain its market-leading position in recent years. Shenyang Automotive commenced production of the high-end Grace model in 2002 based on semi-knockdown kits from Toyota and now produces them using domestic parts and components.

Shenyang Automotive's Zhonghua sedan was introduced to the commercial market in China in August 2002 and constituted approximately 15.3% and 33.1% of total sales revenue in 2002 and 2003, respectively. The initial model was a five-seat manual transmission sedan with a 4-cylinder, 2.0-liter Mitsubishi engine. Shenyang Automotive now also produces manual transmission Zhonghua sedans with 2.4-liter engines and automatic transmission versions with both 2.0-liter and 2.4-liter engines.

In 2003, Brilliance China Automotive has increased its market share in the Chinese sedan market with both the increased sales of Shenyang Automotive's Zhonghua sedan and the launch of the BMW 3 and 5 Series sedans produced by the BMW joint venture.

The following table sets forth certain information with respect to Shenyang Automotive's principal products as of the date of this annual report.

	Deluxe Minibus (Granvia Grace Model)	Deluxe Minibus (Hiace Model)	Mid-priced Minibus	Zhonghua Sedan Version 2.0	Zhonghua Sedan Version 2.4
Maximum number of passengers	7-8	15	15	5	5
Engine type	Toyota 4-cylinder 2.7-liter gasoline engine	Toyota 4-cylinder 2.4-liter gasoline engine	Mianyang Xincheng and Shenyang Xinguang 4-cylinder 2.2 liter gasoline engine	Mitsubishi 4-cylinder 2.0 liter gasoline engine	Mitsubishi 4-cylinder 2.4 liter gasoline engine
Horsepower	105	100.6	92.5	122	130
Price Range in Rmb⁽¹⁾	180,000-363,000	178,800-277,800	73,800-159,800	169,800	188,800
Fuel Consumption (Liters/100 km)⁽²⁾⁽³⁾	10	10	9.8	6.5 (MT)/7.6 (AT)	6.8 (MT)/7.6 (AT)
Maximum speed⁽³⁾	158 km/hr	130 km/hr	130 km/hr	190 km/hr (MT)/185 km/hr (AT)	195 km/hr (MT)/185 km/hr (AT)
Domestic component content	60%	80%	100%	70-75%	70-75%
Length	4.7 m	4.8 m	4.8 m	4.88 m	4.88 m

(1) Actual price depends on specific model.

(2) Based on an average speed of 50-55 kilometers per hour for minibuses and 80 kilometers per hour for sedans.

(3) MT denotes manual transmission and AT denotes automatic transmission.

The following table sets forth certain information with respect to the BMW joint venture's principal products as of the date of this annual report.

	BMW Joint Venture 3-Series Sedan	BMW Joint Venture 5-Series Sedan
Models	Series 318 and 325	Series 520, 525 and 530
Maximum number of passengers	5	5
Engine types	BMW 6-cylinder 1.8 liter and 2.5 liter gasoline engines	BMW 6-cylinder 2.0 liter, 2.5 liter and 3.0 liter gasoline engines
Horsepower	143 - 192 bhp	170 - 231 bhp
Price range in Rmb⁽¹⁾	398,000 - 468,000	578,000 - 698,000
Fuel Consumption (Liters/100 km)⁽²⁾	8.1 - 9.5	9.8 - 9.9
Maximum speed	218 - 240 km/hr	230 - 250 km/hr
Length	4.47 m	4.84 m

(1) Actual price depends on specific model.

(2) Based on an average speed of 80 kilometers per hour.

Deluxe minibus. The deluxe minibus has historically been Shenyang Automotive's flagship product and is among the highest quality, most technologically advanced minibuses currently produced in China. Shenyang Automotive's predecessor began assembling deluxe minibuses under license from Toyota in 1989. The deluxe minibus is used primarily as a passenger vehicle and features air conditioning, and optional power steering, power windows, automatic locks, a rear window wiper, full interior carpeting and alternative interior configurations.

Shenyang Automotive's high-end products have been further improved to incorporate more user-friendly features to meet diversified customer demands. In the deluxe line, Shenyang Automotive has introduced a locally developed model, based on the Toyota 441N, which is equipped with an anti-lock braking system, improved helix rear suspension and refined interior trim. It has the highest technical content among Shenyang Automotive's product lines.

On December 17, 2001, Shenyang Automotive entered into an agreement with Toyota for the technology transfer of the fifth generation of the Toyota minibus—the Granvia—for which production based upon semi-knockdown kits from Toyota commenced in 2002. Shenyang Automotive began producing the Granvia using domestic parts in the first quarter of 2004. The Granvia is marketed under the brand name Grace when sold in China by Shenyang Automotive. The Grace minibus exhibits several improvements over the fourth generation minibus, including more responsive performance when carrying heavy loads, better handling, better maneuverability, 360-degree interior

moveable seats, and a more luxurious and comfortable interior.

Mid-priced minibus. The mid-priced minibus was developed by Shenyang Automotive and was commercially introduced in the second half of 1996. Shenyang Automotive produces two principal mid-priced minibus models, both of which are based on the deluxe minibus and share the same styling and body of the deluxe minibus, with the principal difference being the engine. By equipping the majority of these models with a domestically manufactured Mianyang Xinchun or Shenyang Xinguang engine, Shenyang Automotive is able to sell them for significantly less than the deluxe minibus, yet still maintain function and quality standards for these models that are only slightly lower than the deluxe minibus. This has allowed the mid-priced minibus models to compete more effectively in terms of price with other domestically produced products. See Competition below. These mid-priced models include the Aurora, a version derived from a similar model from the deluxe line but with more local content, and the Shuttler, which features a multi-point injection (MPI) system, improved air conditioning and flexible seating that allows it to be used as both a passenger and goods vehicle.

In 2002, Shenyang Automotive introduced three new minibus models to the market, including mid-priced minibuses that utilize Mitsubishi engines. In September 2003, Shenyang Automotive launched the face-lift versions of these minibus models. As a result, Shenyang Automotive has further consolidated its position in the market place, while continuing to remain price competitive with its rivals.

In 2002, Shenyang Automotive invested approximately Rmb 129.0 million on a mold for the new Grace minibus. In 2003, Shenyang Automotive invested approximately Rmb 760.0 million (US\$91.8 million) on new minibus painting facilities, new molds for the Grace minibus, and upgrading the minibus welding and assembling workshops. As of the end of 2003, the upgraded facilities and workshops increased minibus capacity to 80,000 units per year (based on two shifts) and 120,000 units per year (based on three shifts). Brilliance China Automotive believes that its long-term interests require that Shenyang Automotive continue to expand its production capacity. Any increase in Shenyang Automotive's future revenue will depend on its ability to continue to expand in a similar manner. Realization of its production and sales goals is also contingent upon other factors, including the development of new vehicle models, the ability to continue to achieve overall cost reductions, ongoing access to high-quality raw materials and domestic component manufacturers and maintenance of a large well-trained labor force, an effective distribution network and after-sales service capabilities.

Zhonghua sedan. The Zhonghua sedan was designed by Italdesign and was commercially introduced by Shenyang Automotive in August 2002 after receiving approval from the Chinese government in May 2002. This sedan is designed to target the mid-priced sedan market segment, including governmental institutions, businesses and individual users in China. This sedan model was specifically designed for the Chinese market and utilizes a high degree of domestic component content, thereby offering cost advantages to consumers. In 2003, Shenyang Automotive spent approximately Rmb 200.0 million (US\$24.2 million) on upgrading the Zhonghua production facilities and related dies and tools.

On March 27, 2001, Brilliance China Automotive entered into a three-year technical assistance agreement with BMW under which BMW engineers provide consulting services to help in the initial stages of production of Zhonghua sedans at Shenyang Automotive's sedan production facilities in Shenyang, including assistance in achieving and maintaining the desired level of production quality. This agreement expired in March 2004 and Brilliance China Automotive and BMW are currently in discussions regarding a similar agreement to be entered into directly between Shenyang Automotive and BMW to replace the original agreement.

The following table sets forth Brilliance China Automotive's revenues by category, for the years 2001 through 2003:

	2001		2002		2003	
	Revenue (Rmb million)	%	Revenue (Rmb million)	%	Revenue (Rmb million)	%
Minibus sales						
Deluxe minibus	1,599	25.7	1,324	18.1	1,284	12.7
Mid-priced minibus	4,375	70.4	4,600	62.8	4,962	49.1
Zhonghua sedan ⁽¹⁾			1,117	15.3	3,345	33.1
Subtotal	5,974	96.1	7,042	96.2	9,591	94.9
Other sources of income ⁽²⁾	244	3.9	277	3.8	519	5.1
Total	6,218	100.0	7,319	100.0	10,110	100.0

(1) Commercial launch of the Zhonghua sedan occurred in August 2002.

(2) Including sales of components.

The following table sets forth the geographic breakdown of Shenyang Automotive's minibus and Zhonghua sedan sales revenue throughout China for the years 2001 through 2003:

Province/ Municipality	2001		2002		2003	
	Revenue (Rmb million)	%	Revenue (Rmb million)	%	Revenue (Rmb million)	%
Beijing	770	12.9	1,122	15.9	1,686	17.6
Guangdong	1,855	31.1	1,445	20.5	1,502	15.7
Liaoning	763	12.8	773	11.0	964	10.1
Shanghai	1,072	17.9	1,129	16.0	720	7.5
Jiangsu	47	0.8	303	4.3	660	6.9
Shandong	222	3.7	238	3.4	465	4.8
Sichuan	248	4.2	133	1.9	383	4.0
Tianjin	98	1.6	115	1.6	257	2.7
Heilongjiang	107	1.8	147	2.1	212	2.2
Henan	87	1.5	80	1.2	168	1.8
Others	705	11.7	1,557	22.1	2,574	26.7

Total	5,974	100.0	7,042	100.0	9,591	100.0
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BMW Joint Venture

On March 14, 2003, Brilliance China Automotive received formal approval from the Chinese government with respect to the feasibility study for the establishment of a joint venture between BMW Holding, a wholly owned subsidiary of BMW AG, and SJAI, an indirect subsidiary of Brilliance China Automotive. On March 27, 2003, SJAI entered into a joint venture contract with BMW Holding in relation to the establishment of the joint venture in China. On April 28, 2003, Brilliance China Automotive, through its indirectly 90%-owned subsidiary, SXID, entered into an agreement with the 10% shareholder of SJAI to acquire an additional 9% interest in SJAI, thereby increasing its effective interest from 40.5% to 44.55%. On December 16, 2003, through Xing Yuan Dong, a wholly owned subsidiary of the company, Brilliance China Automotive increased its indirect interest in SJAI from 89.1% to 98.0% and thereby effectively further increased its interest in the BMW joint venture to 49.0%.

The registered capital and total investment cost of the joint venture is Euro 150 million and Euro 450 million, respectively (equivalent to approximately Rmb 1,564 million and Rmb 4,692 million, respectively). As of December 31, 2003, Brilliance China Automotive injected Rmb 688.5 million into the joint venture. The joint venture is to be 50%-owned by each of SJAI and BMW Holding and has a term of 15 years starting from May 22, 2003, the date of issuance of the joint venture's business license, which may be extended by mutual consent of the parties to the joint venture. The business scope of the joint venture is to produce and sell BMW-designed and branded passenger cars, engines, parts and components and to provide after-sales services (including repair and maintenance and spare parts) relating to its products. Profits of the joint venture will be shared as to 50% by each of SJAI and BMW Holding, in proportion to their respective contributions to the registered capital of the joint venture. This joint venture contract prohibits Brilliance China Automotive from entering into similar ventures with other automobile manufacturers for the manufacture and sale of premium sedans in China.

Brilliance China Automotive has agreed to provide a guarantee to BMW Holding in relation to the performance by SJAI of its obligations under the joint venture contract. A reciprocal guarantee has been provided by BMW AG to SJAI in respect of the obligations of BMW Holding under the joint venture contract. In addition, Brilliance China Automotive has been indemnified by SAIAM and Shenyang JinBei Automobile Industry Company Limited with respect to its liabilities under this guarantee to BMW Holding.

On May 22, 2003, the business license for the joint venture was issued by the Shenyang City Administration for Industry and Commerce. Commercial production of BMW-designed and branded sedans commenced in September 2003 based on knockdown kits supplied by BMW. The 3-Series BMW sedans were launched in the market in October 2003 and the 5-Series were launched in November 2003. In the first quarter of 2004, the BMW joint venture began incorporating domestically produced components in its 3-Series sedans, but production of these vehicles is still primarily based upon complete knockdown kits supplied by BMW. The BMW joint venture's 5-Series sedans are still generally manufactured using semi-knockdown kits from BMW. However, complete knockdown kits are now being used for the manufacture of a portion of these 5-Series sedans and these vehicles also began to include domestically produced components in the second quarter of 2004.

Production Process

Minibus Production Process and Equipment

Stamping. Shenyang Automotive produces its own semi-finished steel sheets for stamping on a roll, drop and stack production line. Stamping is carried out at nine production stations that utilize 38 domestic and imported presses, the largest of which is calibrated at 3200 tons and is

used to stamp roofs and side panels for the deluxe and mid-priced minibuses. The 198 dies used for stamping and cutting body components for the deluxe minibus and mid-priced minibus were purchased from Toyota. Substantially all of the stamped metal vehicle components utilized in Shenyang Automotive's minibuses are produced in this stamping workshop.

Welding. The welding workshop consists of ten production stations that are each focused on a different section of the minibus. These lines were manufactured with Toyota technology and utilize a combination of manual welding and automatic robotic welding, the latter of which is utilized for the more difficult welding points. Each welding station is equipped with a domestically manufactured testing machine. The annual production capacity based on two shifts is 80,000 units and can be increased to 120,000 units based on three shifts.

Painting. Shenyang Automotive currently operates a 48,600 square foot painting workshop that was set up at the beginning of 2004 to enhance the production capacity. The new painting workshop has three floors, each with its own function. The new workshop has an annual production capacity of 120,000 units, with space reserved for expansion up to an annual production capacity of 150,000. The new workshop uses a painting method that combines the use of a conveyor, automated machine and robotic machine. Steps taken to prepare the vehicle body for painting include de-greasing, rinsing, phosphatization and electrophoretic coating. After each of the three coats of paint is applied by sprayer to the minibus body, it is dried in a heated drying chamber. The specialized pre-painting preparation of the vehicle allows the frame to withstand corrosion for 10 to 15 years. Also, the high standard of cleanliness in the painting workshop and the advanced paint sprayers used allow Shenyang Automotive to reduce environmental pollution, provide better working conditions for the painting workshop employees, conserve raw materials and ensure that each minibus receives three consistent, high-quality coats of paint. Finally, various quality control tests are conducted, including measurement of the luster and thickness of the paint on each vehicle.

Assembly. Shenyang Automotive's final assembly workshop is equipped with a combination single slot, hanging and double slot conveyor. The conveyor is 570 meters long, has 86 separate workstations and is capable of producing minibuses at the rate of one every six minutes. Shenyang Automotive also developed jointly with the Shenyang Automation Research Center of the China Science Institute an automated lifting system that is used in the assembly of the power train, rear chassis and crank case, as well as a computerized hydraulic machine for carrying out the transfer from a single rail conveyor onto a hanging line conveyor—the first of its kind to be developed in China.

Testing. Shenyang Automotive employs an advanced comprehensive vehicle testing system to ensure that each vehicle conforms to specifications, including wheel alignment, exhaust emissions, steering, braking and engine and transmission performance. All of these final testing procedures are also supported by a comprehensive quality control staff that monitors each step of the production process. See Business Overview Quality Control below.

Zhonghua Sedan Production Process and Equipment

Stamping. At present, 104 pieces of large and medium parts of the Zhonghua sedan are produced in the stamping (or pressing) workshop. There are five large and medium pressing lines, among which the line producing large (2,300 ton) parts was imported from Schuler of Germany and is equipped with robots to handle automated production. There is also a 6300KN uncoiling and blanking line from Schuler, which can supply parts for up to seven production lines, as well as a

100-ton die spotting press imported from Kawasaki of Japan. The other pressing lines were purchased from a domestic equipment manufacturer.

Welding. The welding workshop is required to assemble and weld 279 separate panels, 12 machined parts, 8 roll-pressed parts and 36 standard parts. This line was designed, manufactured and installed by Kuka of Germany. The welding line consists of six zones and 223 stations, and is capable of spot-welding, carbon dioxide welding, project welding, T-stud welding, sealing, brazing and hemming. At present, there are 37 working robots in this workshop, which are used to weld, seal and inspect at the most important stations on the line. The SKID apparatus that transports components both on the ground and overhead ADSs speed and efficiency to the welding process.

Painting. Zhonghua sedans and the BMW-branded sedans share the same painting line. All of equipment used in the painting line is provided by Durr of Germany, and the paint supply system was imported from Graco of the United States. Steps involved in the body painting process include pre-treatment, E-coat, sealing, PVC, primer, top-coat and cavity wax. The painting line is highly mechanized and automated, with a central control system imported from Siemens. The painting line may switch paints of different colors within 10 seconds and 15 paints of different colors may be used in the same painting line. All of the paints and other materials utilized in paint workshop are high quality products sourced both from within China and abroad.

Assembly and Testing. The performance of the assembly and testing workshop is guided by an information system based on bar code technology. The layout of the final assembly shop is designed by Schenck Engineering of Germany and consists of the body buffer line, main production line, test line, water proof line, finishing line and marriage line, as well as various sub-lines and a rework area. The assembly line utilizes a double-track conveyer system for transporting the vehicles through each process.

BMW Sedan Production Process

The automotive production process employed by the BMW joint venture is generally divided into four stages: welding, painting, assembly and testing. In each stage, the BMW joint venture utilizes equipment primarily imported from Germany. Each stage of the manufacturing process is also carefully monitored both by quality control engineers and through specialized testing equipment to ensure that the final product achieves the specified BMW Group quality standards.

Welding. The manufacturing and welding process in the welding workshop is performed according to the BMW Group's global standard. The dimensional quality is checked with a state of the art CMM Machine from Wenzel Company of Germany. The sourced welding equipment is from Edag Company of Germany. The welding workshop contains stud welding, spot welding, mig welding and sealing operations. The line operators have been trained by BMW Group specialists and the process is controlled by BMW Group specialists from Germany. The quality checks and audits are consistent with those performed at other BMW Group plants.

Painting. All of the equipment used in the painting line is provided by Durr of Germany, and the paint supply system was imported from Graco of the United States. Steps involved in the body painting process are highly mechanized and automated, with a central control system imported from Siemens. All of the paints and other materials utilized in the paint workshop are high quality products sourced both from within China and abroad.

Assembly and Testing. The assembly workshop consists of two assembly areas, one of which uses a conveyor system designed by the German supplier AFT with 56 line stations in total, as well as handling devices for heavy parts from Dalmecc Company. The finishing and testing equipment are located in the second area. A wide range of special equipment used in BMW Group plants worldwide is used to test 100% of the cars produced.

Raw Materials and Components

Raw Materials. To ensure its supply of high-quality domestic raw materials, components and spare parts, Shenyang Automotive has established a stable relationship with over 400 suppliers in China in 2003. Shenyang Automotive sources the majority of its important components and raw materials from at least two different suppliers to ensure availability and increase competition among suppliers. In 2003, approximately 60.7% of Shenyang Automotive's components sourcing was handled through Xing Yuan Dong and Ningbo Brilliance Ruixing, Brilliance China Automotive's wholly owned subsidiaries.

Steel is our principal raw material. Shenyang Automotive purchases steel predominantly through the use of supply contracts. Since steel represented only approximately 5% of Shenyang Automotive's cost of goods sold in 2003, the impact of rising steel prices on Shenyang Automotive's overall production costs was not significant. Furthermore, this small increase to the costs for raw materials was more than offset by decreases in the costs of components due to the larger economies of scale now employed in the manufacture of components used in minibuses and an increase in the ratio of domestically produced components used in the Zhonghua sedans.

Components. Shenyang Automotive has adopted a system that regularly evaluates its existing suppliers. These suppliers range from well-known international suppliers to domestic suppliers with special technology and know-how. In 2003, after conducting a comprehensive survey of its suppliers against an array of criteria, such as quality problem feedback ratio, production capacity, quality assurance systems and after-sales services, Shenyang Automotive retained 405 suppliers out of 480. Implementing this process has enabled Shenyang Automotive to build a stronger supplier network as the foundation for future growth.

The domestic component content of the deluxe minibuses is currently 80% for the Hiace model and 60% for the Grace model. The principal components of the deluxe minibus (Hiace model) that continue to be imported are the engine and the rear axle, each of which is imported from Toyota. Shenyang Automotive is currently in the process of developing deluxe minibuses that would utilize Mitsubishi engines made by Shenyang Aerospace in order to offer a greater variety of products to its customers. These new models would likely have a higher domestic component ratio. Mitsubishi engines have already been installed in a limited number of deluxe minibus (Hiace model) units.

The mid-priced minibus uses 100% domestic parts and the domestic component content of the Zhonghua sedan is over 70%. Brilliance China Automotive calculates domestic component content by looking through larger components, such as engines, produced by domestic Chinese entities to determine the percentage of such component's own components that were manufactured outside China.

Because certain components are imported from Toyota and other suppliers in Japan and Europe, the availability of foreign exchange, exchange rates, import restrictions and the level of import duties may affect the availability of certain components and Shenyang Automotive's costs of production. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources .

Shenyang Automotive is required to pay import duties on imported automobile components. Shenyang Automotive was subject to an average tariff rate of 13.0% to 15.0% on imported components

used in its minibuses and Zhonghua sedans in 2003. During 2003, imported components comprised approximately 24% of the total costs of all deluxe minibuses. In addition, imported components comprised 26% of the total costs of the Zhonghua sedan during 2003. Changes in foreign currency exchange rates also affect the cost of foreign-manufactured components imported by China's domestic manufacturers to make larger components, such as engines, which we purchase domestically. The total aggregate import tariffs paid by Shenyang Automotive for 2003 were approximately Rmb 104.6 million (US\$12.6 million). However, as a result of China's admission to the WTO, import tariffs on motor vehicle components decreased to between 4.8% and 25% effective January 1, 2003. A decrease in import tariffs will result in a decrease in the percentage of the total cost of deluxe minibuses and sedans that imported components comprise.

Brilliance China Automotive intends to continue its efforts to increase domestic component content for both deluxe minibuses and sedans, while at the same time emphasizing quality. See Item 5 Operating and Financial Review and Prospects .

Other Significant Subsidiaries, Jointly Controlled Entities and Associated Companies

Brilliance China Automotive believes that the acquisition of interests in strategic components suppliers has and will continue to broaden its revenue base, increase the reliability of the supply of certain core components of Shenyang Automotive's and the BMW joint venture's minibuses and sedans, enhance their ability to monitor component quality and facilitate greater coordination among the management and engineering personnel and their respective principal suppliers.

Mianyang Xincheng

Mianyang Xincheng, directly and indirectly through Xing Yuan Dong (as described below), accounted for 8.3% of Shenyang Automotive's purchases of parts and components in 2003. Mianyang Xincheng's principal product is the 2.2 liter 491Q gasoline engine. In 2000, Mianyang Xincheng also began producing the 491QE electronic fuel injection engine on a mass production basis to satisfy the market's demand for products that can meet new higher emission standards. In 2001, Mianyang Xincheng developed three additional passenger vehicle gasoline engines. As a result, Shenyang Automotive has access to engines suited to a full range of light-duty passenger vehicles. Mianyang Xincheng had annual sales of Rmb 819.8 million (US\$99.0 million) in 2003. Shenyang Automotive, which installs Mianyang Xincheng's 491Q engine in most of its mid-priced minibuses, accounted for 58.1% of Mianyang Xincheng's sales in 2003. Mianyang Xincheng's overall annual sales of gasoline engines in 2003 increased by 24.2% from 2002. In 2003, the after-sales repair ratio for Mianyang Xincheng's products decreased to 6.5% from 6.7% in 2002. Mianyang Xincheng's current annual production capacity is 100,000 to 120,000 gasoline engines (depending on number of shifts).

In March 2004, the technology center of Mianyang Xincheng was designated by Chinese governmental authorities as a State-class enterprise technology center, becoming only the second State-class enterprise technology center in China automotive gasoline engine industry.

Ningbo Yuming

Ningbo Yuming, directly and indirectly through Xing Yuan Dong and Ningbo Brilliance Ruixing (as described below), accounted for 4.8% of Shenyang Automotive's purchases of parts and components in 2003. Ningbo Yuming's principal products are automobile window molding and stripping, as well as a front independent suspension system (including high performance front axle) for use in light passenger vehicles. Ningbo Yuming had annual sales of Rmb 277.7 million (US\$33.5 million) in 2003. Ningbo Yuming intends to further develop front axles for use in different types of light goods vehicles to enlarge

its market share in the safety components market. Ningbo Yuming received ISO-9002 accreditation in December 1999. Shenyang Automotive, which uses Ningbo Yuming's products in all of its deluxe minibuses, mid-priced minibuses and Zhonghua sedans, accounted for approximately 97.3% of Ningbo Yuming's sales in 2003. Shenyang Automotive also granted Ningbo Yuming the status of Class A Supplier in 1999, which it continues to hold.

Shenyang Xinguang

Shenyang Xinguang is principally engaged in the manufacture and sale of gasoline engines for use in passenger vehicles and light duty trucks. In 2003, engine purchases by Shenyang Automotive for use in mid-priced minibuses accounted for 54.3% of Shenyang Xinguang's total sales, which amounted to Rmb 515.1 million (US\$62.2 million). Shenyang Xinguang currently produces 491Q engines and has a production capacity of 50,000 engines per year. It manufactured and sold 51,092 and approximately 50,300 491Q engines, respectively, in 2003.

Shenyang Xinguang intends to further develop upgraded versions of the 491Q engine in 2004. These new 16-valve engines will have greater power and will be designed to satisfy European III emission standards. They will be suitable for use in JinBei minibuses (models SY6480A) and Zhonghua sedans. Shenyang Xinguang plans to produce this new engine by using part of its existing 491Q facilities, together with a new production line. Planned capacity for this new engine is 50,000 units per year, based on two daily shifts.

Xing Yuan Dong, Ningbo Brilliance Ruixing and Mianyang Brilliance Ruian

Xing Yuan Dong assists Shenyang Automotive in obtaining and developing a reliable supply of domestically produced parts and components. Xing Yuan Dong also facilitates development of locally produced automotive parts and components and acts to improve the quality of these components. When a customized component is needed, Xing Yuan Dong provides potential suppliers with designs and specifications for the customized parts and components required by Shenyang Automotive. These potential suppliers liaise with Xing Yuan Dong and discuss details of production. Xing Yuan Dong then selects appropriate suppliers and offers technical assistance and cost evaluations. Xing Yuan Dong continuously strives to reduce the number of Shenyang Automotive's suppliers, lower costs, increase the efficiency and commitment of the remaining suppliers, streamline the component purchasing process and ensure a steady supply of high quality components. In 2001, Xing Yuan Dong, in order to maintain its preferential tax treatment from the Chinese government, also began manufacturing automotive components for Shenyang Automotive. In 2003, 100% of Xing Yuan Dong's sales were to Shenyang Automotive.

Ningbo Brilliance Ruixing was established on June 9, 2000 as a wholly owned subsidiary of Brilliance China Automotive to facilitate the trading and development of automotive components between Ningbo Yuming and Shenyang Automotive. In 2003, 100% of Ningbo Brilliance Ruixing's sales were made to Shenyang Automotive and 96.3% of Ningbo Brilliance Ruixing's purchases were from Ningbo Yuming. Beginning in 2001, Ningbo Brilliance Ruixing also began manufacturing automotive components for Shenyang Automotive.

Mianyang Brilliance Ruian was established on July 3, 2000 as a wholly owned subsidiary of Brilliance China Automotive to facilitate the trading and development of automotive components for Mianyang Xinchun. In 2003, 95.7% of Mianyang Brilliance Ruian's sales were made to Mianyang Xinchun. In 2001, Mianyang Brilliance Ruian also began manufacturing automotive components for Shenyang Automotive.

Shenyang Aerospace

Shenyang Aerospace was formed for the purpose of manufacturing 2.0-liter, 122 horsepower and 2.4-liter, 130 horsepower Mitsubishi gasoline engines. Shenyang Aerospace commenced trial operation in March 1999. Shenyang Automotive uses these engines in its deluxe minibuses and in the Zhonghua sedans. In addition, Shenyang Aerospace's engines are also suitable for sale domestically to other passenger vehicle producers. Mitsubishi Motors Corporation, Mitsubishi Corporation, China Aerospace Automotive Industry Group Co., MCIC Holdings Sdn. Bhd. and Shenyang Jianhua Motors Engine Co. Ltd., or Shenyang Jianhua, own equity interests of 25.0%, 9.3%, 30.0%, 14.7% and 21.0%, respectively, in Shenyang Aerospace. With a 60.8% effective interest in Shenyang Jianhua, Brilliance China Automotive currently has an effective interest in Shenyang Aerospace of 12.8%. Upon completion of the acquisition of additional shares of JinBei, Brilliance China Automotive's effective interest in Shenyang Jianhua will increase to 76.4% and consequently Brilliance China Automotive's effective interest in Shenyang Aerospace will increase to approximately 16.0%.

Dongxing Automotive and Xingchen Automotive Seats

In December 2001, Brilliance China Automotive entered into an agreement with Brilliance Holdings Limited for the acquisition of the entire issued share capital of Key Choices Group Limited at a consideration of approximately Rmb 278.0 million. Key Choices is an investment holding company and its principal assets are the 100% equity interest in the registered capital of Dongxing Automotive and a 90% equity interest in the registered capital of Shenyang Xingchen Automotive Seats Co., Ltd., or Xingchen Automotive Seats. Dongxing Automotive is a foreign-invested enterprise established in China whose principal products are automotive components for use in passenger vehicles. Xingchen Automotive Seats is a Sino-foreign equity joint venture established in China in December 2001 that formerly was principally engaged in the manufacturing of automotive seats. However, Xingchen Automotive Seats ceased its operations in the second half of 2002.

Sales and Marketing

The following tables set forth by vehicle model for the years 2001 through 2003 the number of Shenyang Automotive and BMW joint venture minibuses and sedans sold and the percentage of unit sales represented by each model:

Shenyang Automotive

	2001		2002		2003	
	Units Sold	%	Units Sold	%	Units Sold	%
Deluxe minibus	9,653	15.3	9,017	12.2	9,004	8.6
Mid-priced minibus	53,356	84.7	56,121	75.9	65,614	62.7
Zhonghua sedan ⁽¹⁾			8,816	11.9	25,600	24.5
Total	63,009	100.0	73,954	100.0	100,218	95.8

(1) Commercial launch of the Zhonghua sedan occurred in August 2002.

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BMW Joint Venture

	2001		2002		2003	
	Units Sold	%	Units Sold	%	Units Sold	%
BMW sedans ⁽²⁾					4,359	4.2

(2) Commercial launch of the BMW sedans was in the fourth quarter of 2003.

Shenyang Automotive's marketing efforts are supervised by its General Manager and are conducted primarily through a regionalized sales program under which Shenyang Automotive has divided China into six major sales regions and three sales belts, each headed by an experienced senior executive. These regions are further subdivided into 30 provincial sales regions for minibuses and 26 provincial sales regions for sedans. Each of these sales regions corresponds to a separate province in China. These units are responsible for meeting defined sales targets, with the executives' compensation linked to performance. In addition, Shenyang Automotive implements a commission compensation package for its sales personnel and rewards with bonuses its non-sales personnel who develop customer leads that result in minibus sales. The retail prices and commission scales are both nationally unified by Shenyang Automotive, thereby preventing cross-regional sales and counter-productive price wars. Shenyang Automotive's minibuses and Zhonghua sedans are marketed through a sales network of over 250 exclusive and over 600 non-exclusive minibus distributors and over 110 exclusive sedan distributors nationwide, as well as through annual automobile industry trade shows and at special sales shows sponsored by JinBei and Shenyang Automotive. All of Shenyang Automotive's 2003 unit sales of minibuses and sedans were made to its distributors.

Shenyang Automotive's sales growth in China has been supported by a substantial network of over 250 exclusive minibus distributors and over 110 sedan distributors, as well as over 330 after-sales service centers for minibuses and over 150 for sedans. Shenyang Automotive also continued to implement its 4S sales center system, combining sales, service, spare parts and surveys in one location. As of December 31, 2003, Shenyang Automotive had over 80 and over 70 dealership outlets for minibuses and sedans, respectively, which had achieved the 4S dealership standard.

Most of Shenyang Automotive's minibus and sedan sales were made on a cash basis in 2002. In addition, in order to incentivize customers and facilitate sales, Shenyang Automotive also accepts three-month to six-month bank-endorsed notes as payment for its minibuses and sedans.

Shenyang Automotive has focused intensively on standardizing the sales and marketing methods adopted by its over 210 first tier dealers (including over 70 authorized dealership outlets), over 110 second tier dealers and hundreds of retailers. Shenyang Automotive has also revoked sales authorization from those dealers that have not continued to follow these guidelines.

Shenyang Automotive has 23 regional distribution centers in order to shorten delivery lead-times. Also, by utilizing transportation methods such as trucking, rail and shipping, Shenyang Automotive ensures that most vehicles are not driven until they reach the end users. In 2003, all finished products were delivered to customers with zero mileage.

The following table sets forth the geographic breakdown of Shenyang Automotive's minibus and sedan unit sales throughout China for the years 2001 through 2003:

Province/ Municipality	2001		2002				2003			
	Minibuses		Minibuses		Sedans		Minibuses		Sedans	
	Units	%	Units	%	Units	%	Units	%	Units	%
Guangdong	18,595	29.5	14,067	21.6	1,302	14.8	13,000	17.4	3,158	12.4
Beijing	8,257	13.1	10,994	16.9	955	10.8	15,679	21.0	2,876	11.2
Liaoning	7,357	11.7	6,713	10.3	1,281	14.5	7,780	10.4	2,408	9.4
Shanghai	11,527	18.3	11,030	16.9	987	11.2	6,571	8.8	1,301	5.1
Jiangsu	535	0.8	2,113	3.2	872	9.9	5,415	7.3	1,550	6.1
Shandong	2,055	3.3	2,063	3.2	395	4.5	2,221	3.0	2,114	8.3
Sichuan	1,013	1.6	851	1.3	437	5.0	1,945	2.6	1,702	6.6
Tianjin	979	1.6	1,147	1.8	84	0.9	1,683	2.3	870	3.4
Heilongjiang	938	1.5	1,416	2.2	146	1.7	1,542	2.1	614	2.4
Henan	828	1.3	733	1.1	108	1.2	1,013	1.4	614	2.4
Others	10,925	17.3	14,011	21.5	2,249	25.5	17,769	23.7	8,393	32.7
Total	63,009	100.0	65,138	100.0	8,816	100.0	74,618	100.0	25,600	100.0

Generally, Shenyang Automotive's sales are the highest in the second and fourth quarters of the year. In 2003, Shenyang Automotive recorded its highest levels of sales in the second and third quarters.

The Chinese government continues to encourage the development of the relatively underdeveloped, resource-rich western provinces of China and significant government resources have been allocated in the past to develop the infrastructure of the western provinces. Brilliance China Automotive believes the government's policy regarding western China will be conducive to the development of the local automotive markets. Although Brilliance China Automotive's largest market today remains in the eastern coastal provinces, Brilliance China Automotive believes that the market in the western provinces of China represent substantial upward growth potential in the future. Brilliance China Automotive will continue to expand its dealership system in that region to tap into this potential growth.

Approximately 20% of consolidated revenues in 2003 were generated from Shanghai Shenhua Holdings Co., Ltd. (formerly known as Shanghai Brilliance Group Co., Ltd. and Shanghai Shenhua Industrial Co., Ltd.) or Shanghai Shenhua. Shanghai Shenhua is an affiliate of Brilliance China Automotive that serves as the principal distributor of Shenyang Automotive's products. Shanghai Shenhua operates under substantially the same commercial terms and arrangements with Shenyang Automotive as its other third party distribution agents. However, in southern China, where it sells solely

to distributors on an exclusive basis, Shanghai Shenhua receives additional compensation for operating after-sales service centers, which was a 1% commission on sales until January 2003. Since January 2003, this compensation has been paid in the form of a commission of Rmb 100 to Rmb 150 per vehicle sold.

Shenyang Automotive uses a computerized sales monitoring system to identify customer demographics with better accuracy, determine which products and options are most in demand and improve inventory control. As Shenyang Automotive brings more product options to market, Brilliance China Automotive believes that this computer system will provide Shenyang Automotive with the ability to track customer preferences in various regions and adjust its production and distribution efforts accordingly.

In 2003, Shenyang Automotive spent approximately Rmb 200.9 million (US\$24.3 million) on overall advertising, consisting primarily of Internet, television and print advertising.

Competition

The Chinese minibus manufacturing industry is highly fragmented and competitive. According to the China Automotive Technology & Research Center, in 2003, approximately 53 manufacturers sold an aggregate of approximately 440,240 minibuses, with approximately 223,000 of such minibuses sold by five manufacturers, each of which has the capacity to produce in excess of 30,000 minibuses per year and produced more than 30,000 minibuses in 2003. Significant competitive factors in the industry include price, quality, reliability and customer service. Brilliance China Automotive believes that Shenyang Automotive competes favorably in all of these respects, and particularly in terms of quality, although Shenyang Automotive has experienced competition in recent years from other manufacturers producing lower priced, mid-range minibuses.

The Chinese sedan manufacturing industry is also very competitive and fragmented. The top five brands account for 59.6% of the overall market based on unit sales volume. The market shares of the three leading manufacturers have been decreasing over the past several years. New models continue to be introduced on an increasingly rapid basis as the number of new entrants into the market has also increased. Unit sales of domestically produced sedans totaled 1,971,601 units in 2003, making sedans the largest segment of the Chinese automotive market, accounting for 44.9% of the overall market. It was also the fastest growing segment, as unit sales of sedans increased by 75.3% in 2003 compared to 2002. Sedans are also widely expected to continue to be the fastest growing segment of the Chinese automobile market over the next few years. However, while vehicle ownership is expected to continue to increase steadily in China as a result of increasing individual disposable income, there is also expected to be increasing pricing pressure as tariff rates decline and competition continues to grow from domestic, foreign and foreign-invested sedan manufacturers.

Historically, Chinese motor vehicle producers have been exposed to little competition from non-Chinese enterprises, partly as a result of import restrictions on foreign-made components and motor vehicles. However, as a result of China's admission to the WTO, which regulates trading and tariffs among its signatory states, in November 2001, China committed to reducing its import restrictions on motor vehicles and motor vehicle components. In addition, China will be required to conform its import tariffs to the uniform tariffs under the WTO. Effective January 1, 2002, China has reduced its import tariffs on motor vehicles and automotive components from between 80% to 100% and between 18% to 40%, respectively, to between 43.8% to 50.7% and between 14.0% to 31.4%, respectively. This range was lowered further to between 4.8% and 25% for automotive components effective January 1, 2003. In addition, tariffs on vehicles with nine seats or less and engine sizes of three liters or below fell from 43.9% in 2002 to 38.2% for 2003, and to 34.2% for 2004, while tariffs on vehicles with more than nine seats and engines of more than three liters decreased from 50.7% in 2002 to 43.0% for 2003, and to

37.6% for 2004. All of these tariffs levels are scheduled to be further reduced by 2006. Such reductions in tariffs and import restrictions could potentially increase the competition Brilliance China Automotive will face from foreign manufacturers.

Listed below are Shenyang Automotive's current main competitors in the Chinese minibus and sedan market. The data listed for each is based on information published by the Chinese government regarding the Chinese automotive industry:

Minibus

Southeast Motors. Taiwan China Motors and Fujian Provincial Automobile Industry Company established a 50-50 joint venture company, Southeast Motors in November 1995. Southeast Motors has launched over thirty different models of light passenger vehicles under the Delica and Freeca brand names. Southeast Motors has an annual production capacity of 60,000 light passenger vehicles. Its sales volume in 2003 was 49,978 vehicles, which represents a 6.2% increase from 2002. The Delica series includes seven-, eight- and eleven-seat ordinary, luxury and super luxury models. The Freeca series includes eight-seat standard, luxury and super luxury models.

Nanjing Iveco. In 1995, Italy's Fiat Auto Company and Yuejin Group established Nanjing Iveco Automotive Company, Ltd., a 50-50 equity joint venture, for the manufacture of 33 models of five-ton passenger, goods and off-road vehicles in the Iveco S series. Models currently in production include the A30, A40 and A49 passenger vehicles, as well as a separate series of goods vehicles. Current annual production capacity is 60,000 vehicles and 75,000 engines. In 2003, Nanjing Iveco sold 14,666 vehicles, which was third to Brilliance China Automotive and Southeast Motors in China's minibus market.

Jiangling Motors. Jiangling Motors Corp. of Jiangxi Province, after two years of cooperation with Ford Motor Company (which owns a minority interest in Jiangling Motors), began producing the China Transit, a Ford brand minibus, in December 1997. At present, the vehicle is available in 15-seat, 12-seat and 9-seat versions. In 2003, Jiangling Motors sold a total of 11,510 vehicles. Production capacity for 2003 was approximately 20,000 units per shift.

Zhonghua Sedan

Brilliance China Automotive considers the following companies to be its main competitors in the market for sedans priced between Rmb 130,000 and Rmb 250,000, which includes the Zhonghua sedan:

First Auto Works Group of China. First Auto Works is one of the largest automotive companies in China. First Auto Works' Hongqi sedan was launched in 2001 and is considered one of the Chinese government's showcase China-made sedans. Its latest model is known as the Hongqi Mingzhi, was launched in 2004, and has a 1.8-liter engine with four doors. It is priced at approximately Rmb 149,800, similar to the Zhonghua sedan. First Auto Works sold 18,978 and 17,265 Hongqi Mingzhi sedans in 2002 and 2003, respectively.

Shanghai Volkswagen Automotive. Shanghai Volkswagen Automotive was one of the original state-designed automobile manufacturers in China. It is currently 40% owned by Volkswagen AG of Germany and 25% owned by Shanghai Automotive Industry Corp. It still holds a dominant share of the Chinese sedan market and competes with the Zhonghua sedan through the Santana 2000 and Santana 3000 sedans. The Santana 2000 had a 1.8-liter engine and sells for approximately Rmb 145,000 to Rmb 174,000. In 2002 and 2003, Shanghai Volkswagen

Automotive sold 95,117 and 92,892 units of Santana 2000 sedans, respectively. In March 2004, Shanghai Volkswagen Automotive launched the new Santana 3000, which replaced the Santana 2000.

Beijing Hyundai. Beijing Hyundai was established in 2002 as a 50-50 joint venture between Beijing Auto Investment and Hyundai Motor Co. of South Korea. It currently produces and sells the Sonata 2.0-liter and Sonata 2.7-liter, and the newly-introduced Elantra 1.6-liter and 1.8-liter models. The Sonata 2.0-liter is priced between Rmb 172,800 and Rmb 188,000 for the manual versions and between Rmb 182,800 and Rmb 212,800 for the automatic versions. The Elantra 1.8 liter sedan sells for approximately Rmb 156,000 and Rmb 166,800 for the manual and automatic versions, respectively. Beijing Hyundai had total sales of 52,128 units of these models in 2003. The 2.0-liter Sonata sells for approximately Rmb 200,000 per unit.

BMW Sedans

Brilliance China Automotive currently does not consider there to be any direct competitor to its BMW sedans in the domestic market for high-end luxury cars produced in China in terms of quality, craftsmanship, price, performance and technology but does consider Audi sedans, which are produced by FAW Volkswagen, an indirect competitor in China. FAW Volkswagen is 10% owned by Audi AG, 30% by Volkswagen AG and 60% by First Auto Works of China. FAW Volkswagen produces and sells the Audi A4 and A6 sedans and the Volkswagen Jetta and Bora sedans in China. FAW Volkswagen's Audi sedans have a dominant share of China's premium sedan market. In 2002 and 2003, FAW Volkswagen sold 34,962 and 53,108 units of Audi A6 sedans, respectively. The Audi A4 sedan was formally launched in China's market in 2003 and had a total sales volume of 8,173 in 2003.

In May 2003, DaimlerChrysler AG signed a project proposal with Beijing Automotive Industry Holding Company Ltd., or BAIC, to manufacture Mercedes-Benz C-Class and E-Class sedans in China. According to announcements by DaimlerChrysler, the vehicles will be produced in a new facility in Beijing with an initial production capacity of 25,000 units per year.

Brilliance China Automotive does not consider current foreign importers of luxury cars with similar quality, craftsmanship, performance and technology (such as the Mercedes C-Class and E-Class sedans) to be direct competitors for the BMW sedans as they are subject to import tariffs and restrictions and cannot be priced competitively with the BMW joint venture's locally produced BMW sedans.

Governmental Regulation

The automobile industry in China is controlled at the central government level by the National Development and Reform Commission (formerly the State Development and Planning Commission), or NDRC, and the Ministry of Commerce (which subsumed some of the duties of the former Ministry of Foreign Trade and Economic Cooperation). These entities were created as a result of the governmental restructuring that commenced in March 2003. The NDRC generally oversees and regulates the automobile industry in China and any new product or new automobile production facility must obtain the prior approval of this body before entering the market. Similarly, approval from the Ministry of Commerce must be obtained prior to any changes to existing products or the expansion of existing facilities. Both of these entities must also approve any Sino-foreign joint venture for the production of automobiles.

On June 2, 2004, the NDRC issued a new automobile policy to replace the one that had been in place since 1994. Two of the policy's stated goals are industry consolidation and enhancement of

corporate capacity for research and development. To further these goals, the new policy sets minimum levels of investment for new plants and research and development. Engine plant investments are now required to be over Rmb 1.5 billion (US\$181 million) and new automobile manufacturing projects must be over Rmb 2.0 billion (US\$242 million). New automobile projects also must include a product research and development investment of at least Rmb 500 million (US\$60.4 million).

The new policy will treat semi-knocked down imports as complete vehicle imports and therefore impose vehicle import tariffs instead of component tariffs on them. Current vehicle import tariff levels are between 34.2% and 37.6% (scheduled to fall to 25% by July 2006) whereas current component tariff levels are between 15% and 18% (scheduled to fall to 10% by July 2006).

In contrast to the old regulations, foreign investors in the automobile and motorcycle market will now be allowed to control more than 50% of a joint venture with Chinese partners if the joint venture is located in an export processing zone and plans to sell its products in overseas markets. The new policy will also allow foreign investors to open more than two joint venture plants in China to produce the same categories of vehicles if they do so with their existing Chinese partners through acquisitions of other companies in China.

The new policy acknowledges the success of China's automobile industry and seeks to encourage this pillar industry to foster further growth, particularly of domestically produced and branded products and research and development, through consolidation of smaller, less-efficient manufacturers and increased foreign and domestic investment. In addition, the policy aims to centralize or reorganize certain automobile-related sectors, such as consumer loan services, to reduce overhead and administrative burdens on the industry and allowing industry participants to focus on their core businesses.

By encouraging industry consolidation and establishing clearer guidelines for foreign investment, the policy, in the opinion of Brilliance China Automotive, encourages existing players in the industry to grow and provides incentives for targeted investment from both domestic and foreign sources. However, the ultimate impact of the new policy on Brilliance China Automotive and other industry participants remains uncertain and subject to more detailed guidance and implementing regulations that are expected to be promulgated by the NDRC in the future.

Quality Control

As a result of technical and managerial training from Toyota and technical assistance from BMW, Shenyang Automotive has adopted a highly regimented production quality management system for its minibuses and sedans. This two-fold system concentrates both on the quality of the raw materials and other production inputs and on the production process itself. In the production process, the focal point of quality control is the production line worker, who undergoes extensive training and testing to ensure that he or she performs the assigned task to the highest quality standards and is qualified and able to determine on his or her own whether or not the product meets the required specifications. In addition, Shenyang Automotive's specialized quality control engineers are present at each step of the production process, with 33 separate quality inspection points.

In addition, Shenyang Automotive has established a quality improvement unit to supervise and monitor after-sales service centers in major regional sales bases, such as Guangzhou, Shanghai and Beijing, which also serve as channels for information feedback on product quality. Designated personnel are assigned to follow-up on finding remedies for recurring quality issues in a timely manner.

Shenyang Automotive was granted the internationally recognized ISO-9001-94 quality system certificate in October 1995, making it the first major automobile manufacturer in China to be awarded

such certificate. Shenyang Automotive has successfully obtained recertification in each subsequent year by demonstrating a continued commitment to upholding among the highest quality standards in China's automobile industry. To date, over 120 of Shenyang Automotive's over 260 component suppliers achieved QS-9000 quality system certification and 260 are accredited by ISO-9000.

After-Sales Service

Shenyang Automotive's minibuses are sold with a 24-month or 50,000 kilometers (2002 and 2001: 18-month or 30,000 kilometers) first-to-occur limited warranty. The Zhonghua sedans are sold with a 36-month or 60,000 kilometers (2002: 24-month or 40,000 kilometers) first-to-occur limited warranty. In addition to these basic limited warranties, in 2003 Shenyang Automotive also offered customers a broader warranty for its Zhonghua sedans. During the warranty period, Shenyang Automotive pays service stations for parts and labor covered by the warranty; thereafter, customers must pay for all parts and labor. In 2003, total warranty costs for minibuses and sedans sold during the year were approximately Rmb 33.3 million (US\$4.0 million) and Rmb 54.1 million (US\$6.5 million), respectively, or an average of Rmb 446 (US\$54) per minibus sold and Rmb 2,114 (US\$255) per Zhonghua sedan sold.

There are over 330 and over 150 service centers for Shenyang Automotive minibuses and sedans, respectively, throughout China, with centers clustered in areas that match distribution patterns of the vehicles. Such centers have been granted authority by Shenyang Automotive to service its minibuses and sedans, including the provision of repair services and the sale of spare parts. This extensive service network has enabled Shenyang Automotive to adopt its current policy of resolving routine customer complaints in all provincial capitals and major cities within 24 hours and major problems within three days.

To improve customer service, Shenyang Automotive continually reevaluates its existing distributors based on certain criteria, including financial soundness, customer service capabilities and customer complaint record. Shenyang Automotive has also implemented a more advanced 4S sales center system, which features sales, service, spare parts and survey in one location at the point of sale. As of the end of 2003, Shenyang Automotive had over 80 and over 70 4S dealership outlets for its minibuses and sedans, respectively.

The BMW joint venture currently has 23 distributors, out of which 18 are 4S dealership outlets, mainly located in first tier cities in China. The number of distributors is expected to increase to over 40 by the end of 2004. Like Shenyang Automotive, the BMW joint venture implemented the more advanced 4S sales center system.

Environmental Matters

The Chinese government has set vehicle safety, exhaust and performance standards with which Shenyang Automotive and the BMW joint venture must comply. Brilliance China Automotive believes that Shenyang Automotive's and the BMW joint venture's minibuses and sedans currently meet the standards imposed by the government. Their respective facilities are subject to government pollution regulations enforced by the Shenyang municipal government. If operations are found to be in violation, the government will allow a period of time to remedy the problem. If it should fail to do so, the government can force a shut-down of Shenyang Automotive's or the BMW joint venture's operations until such time as the violator complies with the regulations. To date, neither Shenyang Automotive nor the BMW joint venture has been cited as violating a government pollution regulation.

On January 1, 2000, Beijing, Tianjin and Yunnan Province put into effect emission standards that are significantly stricter than the then prevailing gasoline vehicle emission standards. Since then, these emission standards have been adopted nationwide. Shenyang Automotive's electronic fuel injection minibus, introduced in 1999, passed the emission standards tests at the China National Automobile Testing Center in Tianjin in October 1999. This engine not only produces cleaner emissions, but also achieved up to an 8% increase in fuel economy and a 3% increase in horsepower. In early 2001, Shenyang Automotive began to install multiple electronic fuel injection engines, which are currently used in all of Shenyang Automotive's mid-priced minibuses. With the installation of this new engine in the mid-priced minibus, currently all of Shenyang Automotive's minibuses meet European II emission standards. All Zhonghua and BMW sedans also meet these emission standards. In 2004, the Chinese government began to encourage its vehicle manufacturers to meet the European III standards. All the vehicles of both Shenyang Automotive and the BMW joint venture are expected to meet the European III emission standards in the second half of 2004.

Insurance

Shenyang Automotive and the BMW joint venture currently hold insurance policies that Brilliance China Automotive believes are customary and standard for companies of comparable size in comparable industries in China. Shenyang Automotive does not carry product liability insurance, and Brilliance China Automotive believes it is customary and standard in the Chinese automobile industry for manufacturers not to carry product liability insurance. The BMW joint venture has elected to purchase product liability insurance, in order to conform with BMW's worldwide standards.

Organizational Structure

The following chart sets forth the percentage ownership of significant subsidiaries, associated companies and jointly controlled entities of Brilliance China Automotive as of the date of this annual report.

The following table lists information concerning the subsidiaries, jointly controlled entities and associated companies of Brilliance China Automotive as of December 31, 2003:

Subsidiaries	Jurisdiction of Incorporation	Effective Interest held by Brilliance China Automotive
Shenyang Brilliance JinBei Automobile Co., Ltd.	China	51%
Ningbo Yuming Machinery Industrial Co., Ltd.	China	51%
Shenyang XingYuanDong Automobile Component Co., Ltd.	China	100%
Shenyang Jianhua Motors Engine Co., Ltd.	China	60.8%
Ningbo Brilliance Ruixing Auto Components Co., Ltd.	China	100%
Mianyang Brilliance Ruian Automotive Components Co., Ltd.	China	100%
Shenyang JinBei Automotive Industry Holdings Company Ltd.	China	98%
Shenyang Xinjinbei Investment and Development Co., Ltd.	China	99%
Shenyang Brilliance Dongxing Automotive Component Co., Ltd.	China	100%
Shenyang JinDong Development Co., Ltd.	China	75.5%
Shenyang ChenFa Automobile Component Co., Ltd.	China	100%
China Brilliance Automotive Components Group Limited	Bermuda	100%
Southern State Investment Limited	BVI	100%
Beston Asia Investment Limited	BVI	100%
Pure Shine Limited	BVI	100%
Key Choices Group Limited	BVI	100%
Brilliance China Automotive Finance Ltd.	BVI	100%
Jointly Controlled Entities		
Mianyang Xincheng Engine Co., Ltd.	China	50%
Shenyang ChenBao Automotive Sales Service Co., Ltd.	China	49%
Shenyang HuaBao Automotive Sales Service Co., Ltd.	China	49%
Shenyang Xinguang Brilliance Automobile Engine Co., Ltd.	China	50%
BMW Brilliance Automotive Ltd.	China	49%
Associated Companies⁽¹⁾		
Chongqing FuHua Automotive Sales Service Co., Ltd.	China	29.4%
Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd.	China	12.8%

- (1) Brilliance China Automotive's 8.6% indirect interest in Compass Pacific has been reclassified as investment securities since Brilliance China Automotive is unable to exert significant influence over Compass Pacific and no longer has affiliates serving on the Compass Pacific's board of directors.

Property, Production Facilities and Equipment

The Shenyang municipal government granted to Shenyang Automotive the right to use three parcels of land situated in the northern, eastern and western sectors of Shenyang with a total area of

approximately 890,000 square meters, approximately 50% of which is currently utilized by Shenyang Automotive and the BMW joint venture. These land use rights are effective for the term of Shenyang Automotive, which expires in 2021.

The western parcel consists of 70,000 square meters, 40,000 square meters of which is occupied by a mid-priced minibus production facility that is capable of producing 12,000 vehicles per year. This facility is currently utilized to produce a small number of special purpose minibuses and can also be used to produce components as well.

The northern parcel covers 40,000 square meters and is used by Shenyang Automotive primarily as a technical training facility.

The eastern parcel covers 780,000 square meters, including Shenyang Automotive's and the BMW joint venture's production facilities. Shenyang Automotive's minibus facility currently has a production capacity of 80,000 minibuses per year, using two shifts of workers. This facility is specially designed for the manufacture and assembly of deluxe minibuses and mid-priced minibuses and consists of four workshops. The stamping and assembly workshops currently have annual production capacities of 80,000 and 90,000 units, respectively, based on two shifts of workers, and can be increased to 120,000 units based on three shifts. The painting workshop currently has an annual production capacity of 120,000, based on two shifts of workers.

In 2003, Shenyang Automotive completed the construction of new manufacturing facilities for sedans (including the Zhonghua sedan), which has a production capacity of 100,000 units, based on two shifts per day. The new manufacturing facilities are located adjacent to Shenyang Automotive's previously existing minibus production facilities in the eastern parcel and include new pressing, welding, painting and final assembly lines. Dies and other key production equipment were purchased from leading European equipment manufacturers for the Zhonghua sedan. The total costs for completion of this expansion project were approximately US\$350.0 million, including new equipment, construction costs and other expenditures, but excluding the design costs for the sedans. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources.

Certain workshops in these new sedan manufacturing facilities are currently shared with the BMW joint venture, including part of a welding workshop for the 3-Series sedan, all of the painting facilities, and part of the Zhonghua sedan assembly shop, which is currently used by the BMW joint venture to test BMW sedans.

Shenyang Automotive transferred legal titles and ownership of certain buildings in its eastern parcel to the BMW joint venture for use in the production of BMW sedans. The agreement also states that the BMW joint venture will lease back a substantial portion of those buildings to Shenyang Automotive. The BMW joint venture also has the option to require Shenyang Automotive to purchase back such buildings at the purchase price less depreciation upon the occurrence of certain events, including the passing of a valid resolution pursuant to the joint venture contract by the board of directors of the BMW joint venture. For financial reporting purposes, the buildings were retained as fixed assets on the balance sheet of Brilliance China Automotive and the portion of consideration received from the BMW joint venture is treated as a financing and will be partially offset against the lease rental payable in future years.

In December 2003, the BMW joint venture purchased certain machinery and equipment from Shenyang Automotive for use in the production of BMW sedans. The agreement of sale includes an option for the BMW joint venture to require Shenyang Automotive to purchase back such machinery and equipment at the purchase price less depreciation upon the occurrence of certain events, including the passing of a valid resolution pursuant to the joint venture contract by the board of directors of the BMW

joint venture. This machinery and equipment is maintained by the BMW joint venture for the manufacturing of its products, as well as to provide certain services to Shenyang Automotive upon the payment of a service fee, which is a predetermined fixed charge per unit based on the number of Zhonghua sedans produced by Shenyang Automotive using this machinery and equipment.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this amendment on its behalf.

BRILLIANCE CHINA AUTOMOTIVE
HOLDINGS LIMITED

/s/ Wu Xiao An

WU Xiao An
Chairman

Date: June 29, 2004