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Brilliance Auto

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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華 晨 中 國 汽 車 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

**UPDATE ON EXPROPRIATION OF LAND
AND
DISCLOSEABLE TRANSACTION IN RELATION TO
LEASE AGREEMENT**

EXPROPRIATION OF LAND

Reference is made to the Announcement. The Company wishes to inform the Shareholders and potential investors of the Company that it has been informed by RBJAC that on 16th July, 2024, the Dadong Government signed an expropriation compensation agreement with RBJAC in respect of the Proposed Expropriation pursuant to which the Dadong Government has agreed to a total monetary compensation of RMB451,401,416.

LEASE AGREEMENT

The Company wishes to inform the Shareholders and potential investors of the Company that it has been informed by RBJAC that on 16th July, 2024, the Landlord and RBJAC have entered into the Lease Agreement for the lease of the Premises for a term of 10 years commencing from the date of delivery of the Premises to RBJAC (which delivery shall take place within 30 business days from the date of the Lease Agreement). The Premises will be used by RBJAC as its new office premises and factory for the business operation of RBJAC. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

In accordance with HKFRS 16 “Leases”, the Company will recognise right-of-use assets in the consolidated financial statements of the Company in connection with the tenancy of the Premises. Accordingly, the lease transaction under the Lease Agreement will be regarded as acquisition of assets by the Group for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use assets of the Premises to be recognised under the Lease Agreement in accordance with HKFRS 16 “Leases” exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction of the Company and is subject to the announcement requirement but exempt from Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

1. EXPROPRIATION OF LAND

Reference is made to the Announcement. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company wishes to inform the Shareholders and potential investors of the Company that it has been informed by RBJAC that on 16th July, 2024, the Dadong Government signed an expropriation compensation agreement with RBJAC in respect of the Proposed Expropriation pursuant to which the Dadong Government has agreed to a total monetary compensation of RMB451,401,416, which shall be payable to RBJAC (i) as to RMB90,280,283 within 30 days from the date of delivery by RBJAC of all relevant ownership documents and certificates required for applying for land ownership registration and property cancellation registration, and (ii) the balance of RMB361,121,133 on or before 31st March, 2025 upon delivery of the expropriated land and building by RBJAC. As of 31st December, 2023, the book value of RBJAC's fixed assets held for sale for the Proposed Expropriation was approximately RMB284.9 million, and the book value of right-of-use assets involved in the Proposed Expropriation was approximately RMB44.0 million.

As the Proposed Expropriation is a government-mandated expropriation, the Company does not have discretion in implementing this disposal of assets. Therefore, the Board is of the view that the Proposed Expropriation is not regarded as a “notifiable transaction” under Chapter 14 of the Listing Rules, and the Company is not required to comply with the relevant requirements for notifiable transactions.

2. LEASE AGREEMENT

The Company wishes to inform the Shareholders and potential investors of the Company that it has been informed by RBJAC that on 16th July, 2024, the Landlord and RBJAC has entered into the Lease Agreement for the lease of the Premises for a term of 10 years commencing from the date of delivery of the Premises to RBJAC (which delivery shall take place within 30 business days from the date of the Lease Agreement). The Premises will be used by RBJAC as its new office premises and factory for the business operation of RBJAC.

Principal terms of the Lease Agreement

Date	:	16th July, 2024
Landlord	:	The Landlord
Tenant	:	RBJAC
Premises	:	Factory Building A, No. 39 Dongwang Street, Dadong District, Shenyang City, Liaoning Province, The People's Republic of China
Lease Term	:	10 years commencing from the date of delivery of the Premises to RBJAC (which delivery shall take place within 30 business days from the date of the Lease Agreement)
Usage	:	As office premises and factory
Rent-free period	:	First 3 years commencing from the date of delivery of the Premises to RBJAC (which delivery shall take place within 30 business days from the date of the Lease Agreement)
Rent	:	The annual rent is subject to review and negotiation once every 3 years.

4th to 6th years of the term of tenancy: to be negotiated and agreed between the Landlord and RBJAC no later than 3 months before the expiration of the rent-free period with reference to the market price at the material time but which shall be no more than RMB15.65 million per year.

7th to 9th years of the term of tenancy: to be negotiated and agreed between the Landlord and RBJAC no later than 3 months before the expiration of the 6th year term of tenancy with reference to the market price at the material time with increment of no more than 3% of the previous year's rental. In the event the Landlord and RBJAC fail to reach an agreement on the rent, the previous year's rent shall continue to apply for the 7th to 9th years term of tenancy.

10th year of the term of tenancy: to be negotiated and agreed between the Landlord and RBJAC no later than 3 months before the expiration of the 9th year term of tenancy with reference to the market price at the material time with increment of no more than 3% of the previous year's rental. In the event the Landlord and RBJAC fail to reach an agreement on the rent, the previous year's rent shall continue to apply for the 10th year term of tenancy.

Payment terms	:	The rent is payable by RBJAC under the Lease Agreement on a yearly basis within 90 days after the start of each lease year, and will be financed by the internal resources of RBJAC.
Right-of-use asset value	:	A total of approximately RMB88 million covering the whole lease term

Pursuant to the HKFRS 16, the value (unaudited) of the right-of-use asset to be recognised by the Group under the Lease Agreement is approximately RMB88 million which is the present value of aggregated rent payments as discounted using a discount rate which is equivalent to the Group's incremental borrowing rate throughout the lease term under the Lease Agreement.

INFORMATION OF THE LANDLORD

The Landlord is a company established in the People's Republic of China with limited liability and is a wholly-owned subsidiary of the State-owned Assets Supervision and Administration Bureau of Dadong District, Shenyang City* (瀋陽市大東區國有資產監督管理局).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS FOR THE LEASE AGREEMENT

The Company is an investment holding company and the principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China, the manufacture and sale of automotive components and the provision of auto financing service.

RBJAC has been working on the resumption of production and as a result of the Proposed Expropriation, which is a government-mandated expropriation, RBJAC is required to relocate its factory. Entering into the Lease Agreement will facilitate the relocation of the factory to enable RBJAC to continue to work towards the resumption of production. In evaluating the suitability of the Premises and the terms of the Lease Agreement, the Directors had considered the location of the Premises which is located at a close proximity to RBJAC's factory under the Proposed Expropriation and 3 years of rent-free usage of the Premises has been offered by the Landlord.

The terms and conditions of the Lease Agreement are arrived at after arm's length negotiation between the parties with reference to the prevailing market rental of similar premises in the nearby locations. The majority of the Board (except for Dr. Lam Kit Lan, Cynthia, an independent non-executive Director, who has expressed her disagreement for the same reason that the Company should consider to contain its loss as stated in the announcement of the Company dated 11th April, 2023) considered that the terms and conditions of the Lease Agreement are fair and reasonable and the transaction is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company will recognise right-of-use assets in the consolidated financial statements of the Company in connection with the tenancy of the Premises. Accordingly, the lease transaction under the Lease Agreement will be regarded as acquisition of assets by the Group for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use assets of the Premises to be recognised under the Lease Agreement in accordance with HKFRS 16 “Leases” exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction of the Company and is subject to the announcement requirement but exempt from Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“Announcement”	announcement of the Company dated 26th April, 2024 relating to expropriation by the Dadong Government of the land where the factory operated by RBJAC is located
“Board” or “Directors”	the board of directors of the Company
“Company”	Brilliance China Automotive Holdings Limited (華晨中國汽車控股有限公司*), an exempted company incorporated in Bermuda on 9th June, 1992 with limited liability whose securities are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Landlord”	瀋陽汽車城開發建設集團有限公司, a company established in the People’s Republic of China with limited liability and a wholly-owned subsidiary of the State-owned Assets Supervision and Administration Bureau of Dadong District, Shenyang City* (瀋陽市大東區國有資產監督管理局)
“Lease Agreement”	the lease agreement dated 16th July, 2024 and entered into between the Landlord and RBJAC in relation to the tenancy of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	Factory Building A, No. 39 Dongwang Street, Dadong District, Shenyang City, Liaoning Province, The People’s Republic of China
“RBJAC”	Renault Brilliance Jinbei Automotive Company Limited (華晨雷諾金杯汽車有限公司), a non-wholly owned subsidiary of the Company
“Shareholder(s)”	holder(s) of ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 17th July, 2024

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. Zhang Yue (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.

* *For identification purposes only*