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Brilliance Auto

華 晨 汽 車

BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華 晨 中 國 汽 車 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 27th December, 2024 (the “**Announcement**”) in relation to the Shenyang Automobile CCT Agreements entered into between the Company and Shenyang Automobile. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with additional information in relation to the Shenyang Automobile CCT Agreements.

BASIS OF PRICING AND PRICING POLICY

Each transaction contemplated under the Shenyang Automobile CCT Agreements will be negotiated on an arm’s length basis to ensure the relevant pricing terms are on normal commercial terms and no less favourable than those being agreed with independent third parties for comparable transactions.

The Comprehensive Services Purchase Framework Agreement

The fees for the factory and workshop renovation, maintenance and cleaning services shall be determined on a cost-plus basis with a margin of not more than 10% depending on factors including but not limited to time and labour required to renovate and uplift the new office and factory, cost of the materials required, condition of the office and factory, delays caused by external factors such as weather and climate, public liability insurance, the cost of human resources, management expenses and depreciation and amortization of equipment used and projected inflation rate.

The fees for the obsolete equipment disposal services shall be determined on a cost-plus basis with a margin of 5% to 7% depending on factors including but not limited to quantity of the obsolete equipment, time and labour required to complete disposal of the obsolete equipment, preparing disposal plans, conducting the entire process of listing and trading on the Liaoning Shenyang United Assets And Equity Exchange (遼寧瀋陽聯合產權交易所), and assisting with the preparation and negotiation of agreements and other related services.

The margin shall be determined after arm's length negotiation between members of the Group and the relevant members of the Shenyang Automobile Group based on normal commercial terms with reference to the terms of the provision of similar services in the same or nearby areas by no less than three independent third parties suppliers. Prior to entering into transactions of the various services, the Group will also request the Shenyang Automobile Group to provide and hence obtain the terms of no less than three similar and comparable transactions between the Shenyang Automobile Group and independent third parties as its reference for determining the applicable margin and the transaction price and ensure that the margin charged by the Shenyang Automobile Group will be no less favourable to the Group than those offered by independent third party suppliers. The purposes of the factory and workshop renovation, maintenance and cleaning services and the obsolete equipment disposal services are intended to facilitate the relocation of the office and upgrading the factory of JSA and the terms (including the fees) of which are expected to be determined and fixed by end of January 2025. As part of Company's internal policy, the Company will also, on an annual basis, compare, among other things, the terms of the provision of similar services in the same or nearby areas by independent third parties in the ordinary course of business to ensure that the fees which the Shenyang Automobile Group charges the Group will be calculated in accordance with the actual market circumstances.

The Automotive Components Purchase Framework Agreement

The price for materials and/or automotive components shall be determined on a cost-plus basis with a margin of not more than 3% depending on factors including but not limited to time and labour required to produce the materials and/or components, cost of the materials required, quantity of the order, design specifications, technical requirements, production costs, transportation costs, storage costs, the production lead time required by the Group, utilities costs, the cost of human resources, depreciation and amortization of equipment and moulds used and projected inflation rate.

The margin shall be determined after arm's length negotiation between members of the Group and the relevant members of the Shenyang Automobile Group based on normal commercial terms and with reference to the average margin rate adopted in historical transactions for similar transactions with independent third parties prior to the suspension in business operation of JSA in 2022 and terms of the provision of similar materials and/or automotive components in the same or nearby areas by no less than three independent third parties suppliers. Prior to entering into transactions of the various materials and/or automotive components orders, the Group will also request the Shenyang Automobile Group to provide and hence obtain the terms of no less than three similar and comparable transactions between the Shenyang Automobile Group and independent third parties as its reference for determining the applicable margin and the transaction price and ensure that the margin charged by the Shenyang Automobile Group will be no less favourable to the Group than those offered by independent third party suppliers.

Based on historical data, the market price of materials and/or automotive components required by the Group in the preceding years have been relatively stable. As part of Company's internal policy, the Company will, therefore, on an annual basis, compare, among other things, the terms of the provision of similar materials and/or automotive components in the same or nearby areas by independent third parties in the ordinary course of business to ensure that the price which the Shenyang Automobile Group charges the Group will be calculated in accordance with the actual market circumstances.

The Automobiles Sales Framework Agreement

The price for automobiles provided by JSA during its trial production stage shall be determined on a cost-plus basis with a margin of not less than 2% depending on factors including but not limited to the design specifications and models of the automobiles, time and labour required to produce the specific automobiles, quantity of the order, cost of the materials required, design specifications, technical requirements, production costs, the production lead time required by the Shenyang Automobile Group, utilities cost, logistics fees, taxation, the cost of human resources, depreciation and amortization of equipment used and projected inflation rate.

The margin shall be determined after arm's length negotiation between members of the Group and the relevant members of the Shenyang Automobile Group based on normal commercial terms and with reference to no less than three market comparables obtained at the best endeavor of the parties from time to time to ensure that the margin set by the Group is in line with the common practice in the automobile industry and will be no less favourable than the prices offered to independent third party purchasers.

No sale of automobiles has been made by the Group to the Shenyang Automobile Group since it became a connected person of the Company and up to 27th December, 2024. Sales of automobiles were made by the Group to the Shenyang Automobile Group in the aggregate amount of RMB1,603,000 between 27th December, 2024 to 31st December, 2024.

As disclosed in the Announcement, the Company has established internal control measures to ensure that the transactions entered into under the Shenyang Automobile CCT Agreements will be conducted in accordance with the pricing policies of the Group and the respective terms of such agreements are on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms shall not be less favourable than the terms which can be obtained from an independent third party for the provision/purchase of similar goods or services so far as the Company is concerned. By implementing the relevant internal control procedures and measures, all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group to ensure that the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole. Regular checks will also be conducted to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of the Shenyang Automobile CCT Agreements and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy.

In the event that the utilisation rate of the relevant Shenyang Automobile Proposed Caps reaches 90%, the Board will be informed for considering if the relevant Shenyang Automobile Proposed Caps shall be revised and, if so, the Company will further comply with relevant requirements under the Listing Rules.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Shenyang Automobile CCT Agreements have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

BASIS OF DETERMINATION OF SHENYANG AUTOMOBILE PROPOSED CAPS

As disclosed in the Announcement, the basis of determining Shenyang Automobile Proposed Caps for the one month ended 31st December, 2024 and the financial year ending 31st December, 2025 includes, among other factors, (a) the anticipated progress of the trial production to be conducted by JSA in the one month ended 31st December, 2024 and the financial year ending 31st December, 2025; (b) the scheduled launch of automobiles by JSA during its trial production stage; (c) changes in product mix in response to market demand which will result in changes in the types of materials and automotive components used and the monetary value of the purchases of such materials and automotive components from the connected parties; and (d) the expected rate of usage, duration and demand for the services during the term of the Shenyang Automobile CCTs. The Company would like to elaborate the aforementioned basis as follows:

The Comprehensive Services Purchase Framework Agreement

The annual caps for the Comprehensive Services Purchase Framework Agreement are reasonable estimates by the Board after taking into account the following factors:

- (i) the terms of the Comprehensive Services Purchase Framework Agreement;
- (ii) the expected rate of usage, duration and demand for the services during the term of the Comprehensive Services Purchase Framework Agreement;
- (iii) the anticipated completion of the relocation of the office and upgrading of the factory of JSA in April 2025;
- (iv) the estimated demand for the services based on the size and condition of the new office and factory of JSA;
- (v) the amount of the obsolete equipment to be disposed from the former office and factory of JSA; and
- (vi) the expected increase in labour and material costs.

The Automotive Components Purchase Framework Agreement

The annual caps for the Automotive Components Purchase Framework Agreement are reasonable estimates by the Board after taking into account the following factors:

- (i) the terms of the Automotive Components Purchase Framework Agreement;
- (ii) the anticipated progress of the trial production to be conducted by JSA in the first quarter of 2025;
- (iii) the amount of transactions expected to be incurred by the Group based on automobiles orders received on hand during JSA's trial production stage, which accounts for approximately 12.7% of the annual cap for the Automotive Components Purchase Framework Agreement for the year ending 31st December, 2025;
- (iv) the expected increase in demand for automobiles by the Shenyang Automobile Group during JSA's trial production stage in addition to the orders received on hand which will lead to increase in demand for material and/or automotive components;
- (v) changes in product mix in response to market demand which will result in changes in the types of materials and automotive components used and the monetary value of the purchases of such materials and automotive components from the connected parties;
- (vi) the anticipated gradual increase in production capacity and automobile orders post JSA's trial production stage expected to commence in the second quarter of 2025, which will lead to further increase in demand for material and/or automotive components; and
- (vii) an additional buffer of 5% to cater for any increase in the transaction volume.

The Automobiles Sales Framework Agreement

The annual caps for the Automobiles Sales Framework Agreement are reasonable estimates by the Board after taking into account the following factors:

- (i) the terms of the Automobiles Sales Framework Agreement;
- (ii) the anticipated progress of the trial production to be conducted by JSA in the first quarter of 2025;
- (iii) the historical amount of sales of automobiles made between 27th December, 2024 to 31st December, 2024 in the amount of RMB1,603,000;
- (iv) the average annual sales forecast based on the amount of automobiles orders received on hand which accounts for approximately 25% of the annual cap for the Automobiles Sales Framework Agreement for the year ending 31st December, 2025;

- (v) the production capability of JSA is expected to ramp up increasing the level of output of JSA's automobiles by more than 300% by the end of the first quarter of 2025;
- (vi) the estimated demand for automobiles from the Shenyang Automobile Group;
- (vii) the scheduled launch of automobiles by JSA during its trial production stage; and
- (viii) an additional buffer of 5% to cater for any increase in the transaction volume.

Save as disclosed above, all other information in the Announcement remains unchanged.

By order of the Board
Brilliance China Automotive Holdings Limited
Zhang Yue
Chairman and Chief Executive Officer

Hong Kong, 23rd January, 2025

As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Yue (Chairman and 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*