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# Brilliance Auto

华 晨 汽 车

**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)**

## **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS WITH BEA CHINA**

### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS WITH BEA CHINA**

References are made to the announcements of the Company dated 18 November 2020 and 26 November 2020 in relation to, among others, the 2021 BEA Co-Lending Finance Management Services Agreement.

The 2021 BEA Co-Lending Finance Management Services Agreement will expire on 31 December 2023. As BBAFC intends to continue to provide co-lending finance management services to BEA China under the 2021 BEA Co-Lending Finance Management Services Agreement in the ordinary and usual course of its business, BBAFC entered into the 2024 BEA Co-Lending Finance Management Services Agreement with BEA China on 20 December 2023 to conduct the BEA CCTs for a period of three financial years commencing from 1 January 2024 to 31 December 2026.

As at the date of this announcement, BBAFC's effective equity interest is owned (among others) as to 55% by the Company and as to 22.5% by The Bank of East Asia, Limited, respectively. Accordingly, The Bank of East Asia, Limited is a connected person of the Company only by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary. BEA China is a wholly-owned subsidiary of The Bank of East Asia, Limited and therefore an associate of The Bank of East Asia, Limited under the Listing Rules. Hence, BEA China is a connected person of the Company and the BEA CCTs constitute continuing connected transactions under Chapter 14A of the Listing Rules.

\* For identification purposes only

Notwithstanding that one or more of the applicable percentage ratios in respect of the BEA Proposed Caps exceed 5%, as (a) BEA China is a connected person of the Company at the subsidiary level; (b) the Board has approved the 2024 BEA Co-Lending Finance Management Services Agreement and the transactions contemplated thereunder; and (c) all the independent non-executive Directors have confirmed that the terms of the 2024 BEA Co-Lending Finance Management Services Agreement are fair and reasonable, on normal commercial terms or better to the Company and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the 2024 BEA Co-Lending Finance Management Services Agreement are subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

## **I. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS WITH BEA CHINA**

### **Background of the BEA CCTs**

References are made to the announcements of the Company dated 18 November 2020 and 26 November 2020 in relation to the 2021 BEA Co-Lending Finance Management Services Agreement.

The 2021 BEA Co-Lending Finance Management Services Agreement will expire on 31 December 2023. As BBAFC intends to continue to provide co-lending finance management services to BEA China under the 2021 BEA Co-Lending Finance Management Services Agreement in the ordinary and usual course of its business, BBAFC entered into the 2024 BEA Co-Lending Finance Management Services Agreement with BEA China on 20 December 2023 to conduct the BEA CCTs for a period of three financial years commencing from 1 January 2024 to 31 December 2026.

BBAFC is a non-wholly owned subsidiary of the Company, the effective equity interest of which is owned, among others, as to 55% by the Company and 22.5% by The Bank of East Asia, Limited, respectively. BBAFC engages in the provision of auto financing services to customers in the PRC.

The principal terms of the 2024 BEA Co-Lending Finance Management Services Agreement are set out as follows:

Parties	:	BBAFC and BEA China
Agreement	:	On 20 December 2023, BBAFC and BEA China entered into the 2024 BEA Co-Lending Finance Management Services Agreement in relation to the provision of co-lending finance management services by BBAFC to BEA China for a period of three financial years from 1 January 2024 to 31 December 2026.

- Services to be provided by BBAFC : Services to be provided by BBAFC to BEA China mainly include finance marketing services, customer risk assessment services, vehicles licensing and mortgage registration services, post financing client management services, loan repayment collection services and any ancillary services associated with auto financing in relation to all co-lending auto financing provided by BBAFC and BEA China to independent third party automobile purchasers.
- Pricing policy for co-lending finance management services : The pricing for services to be provided by BBAFC to BEA China shall be calculated by multiplying the amount of interest receivable by BEA China under the particular auto finance transaction managed by BBAFC and the prevailing market rate for the provision of the finance management services.

Market rate means the rate at which the same or comparable type of services is offered to independent third parties in the same area on normal commercial terms in the ordinary course of business. Market rate may be determined by reference to (a) the rate that BBAFC offered to other independent financial institutions for comparable services; or (b) the rate agreed between BBAFC and other independent financial institutions after arm's length negotiations and on normal commercial terms for the provision of comparable services. In any event, terms of provision of the finance management services to BEA China shall be no more favourable than the terms offered to other independent financial institutions for provision of comparable services.

The 2024 BEA Co-Lending Finance Management Services Agreement only sets out the overriding and major terms of the transactions to be carried out by the relevant parties. The scope and fees for services rendered under the 2024 BEA Co-Lending Finance Management Services Agreement will be agreed by the relevant parties with reference to the pricing policies under the 2024 BEA Co-Lending Finance Management Services Agreement and the prevailing market condition. All the payments under the 2024 BEA Co-Lending Finance Management Services Agreement shall, subject to assessments based on the payment policies of BBAFC at the material time, be normally settled in cash or note payable with credit terms ranging from 30 to 90 days, which is the usual credit term policy adopted by the Group.

## II. PROPOSED CAPS

### Historical figures

The following table sets out the BEA Approved Caps and the actual management fees paid by BEA China to BBAFC during the three financial years ended/ending 31 December 2023:

	For the financial year ended/ending 31 December					
	2021		2022		2023	
	BEA Approved Cap (RMB'000)	Actual (RMB'000)	BEA Approved Cap (RMB'000)	Actual (RMB'000)	BEA Approved Cap (RMB'000)	Actual (RMB'000) <i>(For the six months ended 30 June 2023)</i>
Provision of co-lending finance management services by BBAFC to BEA China	72,034	10,380	100,184	16,798	151,955	19,142

### BEA Proposed Caps

The following table sets out the BEA Proposed Caps of the BEA CCTs for the three financial years ending 31 December 2026:

BEA CCTs	For the financial year ending 31 December		
	2024	2025	2026
	BEA Proposed Cap (RMB'000)	BEA Proposed Cap (RMB'000)	BEA Proposed Cap (RMB'000)
Provision of co-lending finance management services by BBAFC to BEA China	74,371	87,969	104,305

## **Basis in determining the BEA Proposed Caps**

In determining the BEA Proposed Caps for the BEA CCTs for the three financial years ending 31 December 2026, the Board has based its estimates on the historical transaction amounts, where applicable, and the sales forecast of the relevant financial years. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

- the anticipated market condition of the automobile industry in the PRC in the three financial years ending 31 December 2026;
- the anticipated demand for auto financing in the PRC in the three financial years ending 31 December 2026 based on retail sales forecast for the corresponding period;
- the anticipated volume of co-lending transactions undertaken by BBAFC and BEA China in the three financial years ending 31 December 2026;
- the anticipated level of management services required by BEA China in the three financial years ending 31 December 2026;
- the anticipated market interest rate for auto financing in the PRC in the three financial years ending 31 December 2026;
- the market range of management fees for provision of comparable type of services in the PRC;
- the historical figures of the BEA CCTs; and
- a certain percentage of buffer for potential increment in the transaction volume.

To ensure that the terms of actual fees receivable from the transactions under the 2024 BEA Co-Lending Finance Management Services Agreement will be no less favourable than that offered by other independent third parties (where available), BBAFC will conduct regular checks to review and assess whether the BEA CCTs have been entered into in accordance with the terms of the 2024 BEA Co-Lending Finance Management Services Agreement. In addition, the auditors of the Company will be engaged to review the BEA CCTs to assess whether the BEA CCTs have been carried out in accordance with the pricing policies of the Group.

### **III. REQUIREMENTS OF THE LISTING RULES**

As at the date of this announcement, BBAFC's effective equity interest is owned (among others) as to 55% by the Company and as to 22.5% by The Bank of East Asia, Limited, respectively. Accordingly, The Bank of East Asia, Limited is a connected person of the Company only by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary. BEA China is a wholly-owned subsidiary of The Bank of East Asia, Limited and therefore an associate of The Bank of East Asia, Limited under the Listing Rules. Hence, BEA China is a connected person of the Company and the BEA CCTs constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Notwithstanding that one or more of the applicable percentage ratios in respect of the BEA Proposed Caps exceed 5%, as (a) BEA China is a connected person of the Company at the subsidiary level; (b) the Board has approved the 2024 BEA Co-Lending Finance Management Services Agreement and the transactions contemplated thereunder; and (c) all the independent non-executive Directors have confirmed that the terms of the 2024 BEA Co-Lending Finance Management Services Agreement are fair and reasonable, on normal commercial terms or better to the Company and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the 2024 BEA Co-Lending Finance Management Services Agreement are subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

### **IV. REASONS FOR THE BEA CCTS**

The Company owns 55% equity interest in BBAFC, which is principally engages in providing retail loans to customers to finance automobiles purchases in the PRC. Among others, 22.5% of the effective equity interest in BBAFC is owned by The Bank of East Asia, Limited.

Since 2018, BBAFC has been participating in co-lending with BEA China whereby BBAFC and BEA China will jointly provide financing to independent third party automobile purchasers at a pre-agreed proportion. This is a common practice between auto finance companies and banks in China as a joint business model. As such, BBAFC generates interest income on the portion of the loans provided by BBAFC and receives service fees from cooperation banks on the portion of the loans provided by co-lending banks, in this case BEA China. Given the automobile production background of the Group and BBAFC's expertise in auto financing, BEA China has been engaging BBAFC to provide finance marketing services, customer risk assessment services, vehicles licensing and mortgage registration services, post financing client management services, loan repayment collection services and any ancillary services associated with auto financing in relation to all co-lending auto financing provided by BBAFC and BEA China to independent third party automobile purchasers.

To adapt to the changing market environment and the rapid growth of the NEV market in China over the past two years, from 2021, BBAFC has shifted its business focus from financing the purchase of traditional vehicles with internal combustion engine to the NEV segment, where the demand and cooperation opportunities of which has been increasing. The business partners of BBAFC includes Tesla, Li Auto and other multi-brands. Owing to the outbreak of the COVID-19 pandemic and the economic slowdown, the business of BBAFC has been negatively impacted in the past few years and accordingly the volume of the co-lending finance management services by BBAFC to BEA China also reduced. In light of the recent recovery of the China motor vehicle industry, the expected increment in sales of Tesla and Li Auto motor vehicles in the upcoming years, the growth and expansion in the business scope of BBAFC and the expected increase in demand for NEVs, it is anticipated that the demand for auto financing from BBAFC through a co-lending business model will correspondingly increase during the three financial years ending 31 December 2026. As part of its expansion strategy, BBAFC has also shifted its financial model from focusing on self-financing to increasing participation in co-lending with BEA China and other cooperation banks. These anticipated increments in co-lending transactions will correspondingly increase the amount of services provided by BBAFC to BEA China under the 2024 BEA Co-Lending Finance Management Services Agreement.

The transactions contemplated under the 2024 BEA Co-Lending Finance Management Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group according to its needs and are carried out on normal commercial terms and reasonably priced. The Board is of the view that co-lending arrangement with bank is a common and stable funding strategy for providing auto-financing services to retail customers in the PRC. The Board also believes that not only will the provision of the co-lending finance management services provide an additional source of income to the Group, it will also enhance the relationship with BEA China and create synergy in the development of the auto financing business of BBAFC. They will have no adverse effect on the Company and will not impair the interests of the Shareholders. The pricing policy and pricing of the connected transactions are based on open, fair and impartial rates and are agreed upon the negotiation of the parties.

In the premises, all the Directors (including the independent non-executive Directors) consider that the BEA CCTs are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and in the ordinary and usual course of business of the Group; and that the terms of the 2024 BEA Co-Lending Finance Management Services Agreement (including the BEA Proposed Caps) to be fair and reasonable.

## **V. INFORMATION OF THE PARTIES**

### **Information of the Group**

The Group is engaged in the manufacture and sale of automotive components and provision of auto financing service through its major operating subsidiaries. In addition, the Group also owns a 25% equity interest in BMW Brilliance Automotive Ltd. which is engaged in the manufacture and sale of BMW vehicles and components in the PRC.

BBAFC is a sino-foreign equity joint venture established in the PRC where the effective equity interest is owned as to 55% by the Company, as to 22.5% by The Bank of East Asia, Limited and as to 22.5% by Caixabank Payments & Consumer, E.F.C., E.P., S.A. It is principally engaged in the provision of auto financing service in the PRC.

### **Information of BEA China**

BEA China is a company established in the PRC and a wholly-owned subsidiary of The Bank of East Asia, Limited, a company listed on the main board of the Stock Exchange. BEA China is principally engaged in the provision of banking and financial services in the PRC.

## **VI. INTERNAL CONTROL MEASURES**

The Company has established the following internal control measures to ensure that the transactions entered into under the 2024 BEA Co-Lending Finance Management Services Agreement will be conducted in accordance with the pricing policies of the Group and the terms of such agreement are on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms shall not be more favourable than the terms offered to an independent third party for the provision of similar services so far as the Company is concerned. Such internal control measures mainly include the following:

- a) the final pricing and other major terms of the BEA CCTs are required to be reviewed by the senior management of various departments involved such as the department head, chief financial officer and/or the general manager, the Related Party Transaction Committee of BBAFC and finally approved by the board of directors of BBAFC as the final check and balance measures to ensure the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders;
- b) the managers of BBAFC will review the terms of the transactions undertaken pursuant to the 2024 BEA Co-Lending Finance Management Services Agreement on a regular basis to ensure the prices for the services to be provided thereunder will reflect the pricing policies of the Group and will be on arm's length basis under normal commercial terms;
- c) the finance department of BBAFC will review, on a monthly basis, the transaction amount under the 2024 BEA Co-Lending Finance Management Services Agreement and submit such information for the senior management and the finance department of the Company review, including but not limited to the historical transaction amount, to ensure that the relevant transactions are carried out in accordance with the terms of the 2024 BEA Co-Lending Finance Management Services Agreement and will not exceed the BEA Proposed Caps; and
- d) the auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the 2024 BEA Co-Lending Finance Management Services Agreement in accordance with the Listing Rules.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under the 2024 BEA Co-Lending Finance Management Services Agreement will be conducted in accordance with its terms, on normal commercial terms (or terms no more favourable than the terms offered to other independent third party for the provision of similar services) and in accordance with the pricing policies of the Group, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## VII. DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“2021 BEA Co-Lending Finance Management Services Agreement”	the agreement dated 18 November 2020 entered into by and between BBAFC and BEA China in relation to the provision of co-lending finance management services by BBAFC to BEA China for a period of three financial years from 1 January 2021 to 31 December 2023, details of which have been announced by the Company on 18 November 2020 and 26 November 2020;
“2024 BEA Co-Lending Finance Management Services Agreement”	the agreement dated 20 December 2023 entered into by and between BBAFC and BEA China in relation to the provision of co-lending finance management services by BBAFC to BEA China;
“BBAFC”	Brilliance-BEA Auto Finance Co., Ltd., a sino-foreign equity joint venture established in the PRC where the effective equity interest is owned as to 55% by the Company, as to 22.5% by The Bank of East Asia, Limited and as to 22.5% by Caixabank Payments & Consumer, E.F.C., E.P., S.A.;
“BEA Approved Caps”	the estimated annual monetary values of the BEA CCTs for the three financial years ending 31 December 2023 which have been announced by the Company on 18 November 2020;
“BEA CCTs”	the transactions between BBAFC and BEA China as set out in this announcement;
“BEA China”	The Bank of East Asia (China) Limited, a company established in the PRC and a wholly-owned subsidiary of The Bank of East Asia, Limited, a company listed on the main board of the Stock Exchange;

“BEA Proposed Caps”	the estimated annual monetary values of the BEA CCTs for the three financial years ending 31 December 2026;
“Board”	the board of Directors;
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	Brilliance China Automotive Holdings Limited ( 華晨中國汽車控股有限公司* ), an exempted company incorporated in Bermuda with limited liability on 9 June 1992, whose securities are listed on the main board of the Stock Exchange;
“connected persons”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NEV”	new energy vehicle;
“PRC”	The People’s Republic of China and, for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of Shares;
“Shares”	shares at par value of US\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance;

“US\$” United States dollars, the lawful currency of the United States of America; and

“%” per cent.

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

Hong Kong, 20 December 2023

*As at the date of this announcement, the Board comprises four executive Directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (Chairman), Mr. Shen Tie Dong (Chief Executive Officer), Mr. Zhang Wei and Mr. Xu Daqing; and four independent non-executive Directors, Mr. Song Jian, Mr. Jiang Bo, Mr. Dong Yang and Dr. Lam Kit Lan, Cynthia.*