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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)

**ANNOUNCEMENT – CONNECTED AND MAJOR TRANSACTION
ACQUISITION OF 39.1% EQUITY INTEREST IN
SHENYANG BRILLIANCE JINBEI AUTOMOBILE CO., LTD.**

THE ACQUISITION AGREEMENT

On June 23, 2017, JBIH, a wholly owned subsidiary of the Company, and JinBei entered into the Acquisition Agreement, pursuant to which JBIH has agreed to acquire, and JinBei has agreed to dispose of, 39.1% equity interest in the Target Company for a cash consideration of RMB1.0, subject to the terms and conditions of the Acquisition Agreement, which are described in more details below.

LISTING RULES IMPLICATIONS

As at the date of this announcement, JinBei owns 39.1% equity interest in the Target Company, while the remaining 60.9% equity interest is owned by the Group. To the best of the Directors' information, knowledge and belief, save as disclosed above, JinBei is independent of the Company and its connected persons. Accordingly, JinBei is a connected person of the Company only by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Board has approved the Acquisition and the INEDs have confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. As a result, the Acquisition is exempt from circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. Nevertheless, as one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and therefore, is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

A circular containing, among other things, further information in respect of the Acquisition Agreement and the transactions contemplated thereunder and other information as required by the Listing Rules, together with the notice convening the SGM and the proxy form in respect of the SGM is expected to be despatched to the Shareholders on or before July 14, 2017.

Shareholders and potential investors of the Company should note that completion of the Acquisition is subject to the satisfaction of the conditions precedent set out in the Acquisition Agreement. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

INTRODUCTION

On June 23, 2017, JBIH, a wholly owned subsidiary of the Company, and JinBei entered into the Acquisition Agreement, pursuant to which JBIH has agreed to acquire, and JinBei has agreed to dispose of, 39.1% equity interest in the Target Company for a cash consideration of RMB1.0, subject to the terms and conditions of the Acquisition Agreement.

THE ACQUISITION AGREEMENT

1. Date

June 23, 2017

2. Parties

(a) JBIH (as purchaser)

(b) JinBei (as vendor)

As at the date of this announcement, JinBei owns 39.1% equity interest in the Target Company, while the remaining 60.9% equity interest is owned by the Group. To the best of the Directors' information, knowledge and belief, save as disclosed above, JinBei is independent of the Company and its connected persons. Accordingly, JinBei is a connected person of the Company only by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary under Chapter 14A of the Listing Rules.

3. Interests to be acquired

The 39.1% equity interest in the Target Company held by JinBei

4. Consideration

The consideration for the transfer of 39.1% equity interest in the Target Company from JinBei to JBIH is RMB1.0.

The consideration was determined after arm's length negotiations between the parties pursuant to the Acquisition Agreement, after taking into account the net liabilities attributable to parent of the Target Company of RMB3.61 billion as at December 31, 2016, as well as losses incurred from the operations of the Target Company in the past years.

5. Payment Terms

The consideration for the Acquisition will be settled by cash on the date of completion of the Acquisition.

6. Conditions precedent

The Acquisition shall be conditional on the following conditions having been satisfied:

- (i) the Company, JBIH and JinBei having obtained their respective internal corporate approvals and authorizations;
- (ii) the Company and JinBei having complied with all applicable requirements under the Listing Rules and the listing rules of Shanghai Stock Exchange, respectively, in relation to the Acquisition Agreement and the transactions contemplated thereunder; and
- (iii) the Acquisition having been approved by the competent PRC government authorities (including, without limitation, the competent State-owned assets supervision and administration authority).

7. Completion

Completion of the Acquisition will take place upon the registration of the transfer of 39.1% equity interest in the Target Company with the competent AIC, which will occur within 90 days after satisfaction of the conditions precedent set out under the Acquisition Agreement.

Upon completion of the Acquisition, JinBei will cease to own any equity interest in the Target Company, and the Target Company will become a wholly-owned subsidiary of the Company.

INFORMATION OF THE PARTIES

1. Information on the Group

The Group is engaged in the manufacture and sale of minibuses and automotive components through its major operating subsidiaries. The manufacture and sale of minibuses by the Group are carried out by the Target Company, a 60.9% owned subsidiary of the Company as at the date of this announcement. The other subsidiaries of the Company are mainly engaged in the manufacture and sale of automotive components in the PRC, and some of such automotive components are sold to the Target Company for use in its assembly process as an automobile manufacturer. In addition to its minibus and automotive components businesses, the Group also owns a 50% equity interest in its major joint venture BMW Brilliance Automotive Ltd. which is engaged in the manufacture and sale of BMW vehicles in the PRC.

2. Information on JinBei

JinBei is a company listed on the Shanghai Stock Exchange (stock code: 600609) and the JinBei Group is principally engaged in the manufacture and sale of light trucks and automotive components.

3. Information on the Target Company

The Target Company is mainly engaged in the manufacture and sale of minibuses and automotive components in the PRC.

Set out below is a summary of the audited consolidated financial information of the Target Company for the two financial years ended December 31, 2015 and December 31, 2016, respectively, which was prepared by the auditors of the Target Company in accordance with the PRC GAAP:

	For the year ended	
	December 31,	
	2015	2016
	RMB'000	RMB'000
	(audited)	(audited)
Net loss before taxation	(462,114.3)	(668,500.7)
Net loss after taxation attributable to parent	(493,241.9)	(708,594.6)
Total assets	7,830,382.5	7,723,848.1
Net liabilities attributable to parent	<u>(2,894,255.0)</u>	<u>(3,606,385.8)</u>

Currently, the Target Company is beneficially owned as to 60.9% by the Company and thus, a non-wholly owned subsidiary of the Company. After completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS FROM THE ACQUISITION

The Target Company is principally engaged in the manufacture and sale of minibuses in China. As reported in the Company's annual reports over the last few years, the minibus business has been challenging despite the Company's efforts to produce facelift versions of the existing minibus and launch new MPV models. The Company's management believes that the poor performance of the minibus business was mainly attributable to the lack of new models. As a result of the weak demand, the sales volume of the minibus and MPV (excluding the new MPV model "Huasong" launched in March 2015) has decreased from the peak of 95,180 units in 2010 to 58,159 units in 2016, representing a decrease of approximately 38.9%. In addition, the segment of the manufacture and sale of minibuses and automotive components as disclosed in the Company's annual reports (the "**Segment**") has also shown a decrease in profitability over the same period. The Segment results had decreased from a profit of approximately RMB568.5 million in 2010 to a loss of approximately RMB730.2 million in 2016.

Despite the challenges as described above, the Board continues to see potential upside in the light vehicle market in China and as mentioned in the Company's 2016 annual report, the Company has been considering various options or strategic moves, including but not limited to, potential cooperation with new business partners to turnaround the minibus operation over time both from an operational angle and a strategic perspective. The Acquisition will result in the Target Company becoming a wholly-owned subsidiary of the Company, which will put the Company in a better position to explore new opportunities, and facilitate negotiations with any potential new business partners. As and when any such potential cooperation is materialized, the Company will make further announcement in compliance with the requirements under the Listing Rules.

In light of the foregoing, the Board has approved the Acquisition and all the Directors (including the INEDs) have confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the Acquisition Agreement and the transactions contemplated thereunder. Accordingly, none of the Directors is required to abstain from voting on the board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, JinBei owns 39.1% equity interest in the Target Company, while the remaining 60.9% equity interest is owned by the Group. To the best of the Directors' information, knowledge and belief, save as disclosed above, JinBei is independent of the Company and its connected persons. Accordingly, JinBei is a connected person of the Company only by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As mentioned above, the Board has approved the Acquisition and the INEDs have confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. As a result, the Acquisition is exempt from circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. Nevertheless, as one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and therefore, is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, neither any Shareholder nor any of their respective associates has any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting in favour of the resolutions approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

GENERAL

A circular containing, among other things, further information in respect of the Acquisition Agreement and the transactions contemplated thereunder and other information as required by the Listing Rules, together with the notice convening the SGM and the proxy form in respect of the SGM is expected to be despatched to the Shareholders on or before July 14, 2017.

Shareholders and potential investors of the Company should note that completion of the Acquisition is subject to the satisfaction of the conditions precedent set out in the Acquisition Agreement. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of 39.1% equity interest in the Target Company by JBIH from JinBei in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the equity interest transfer agreement dated June 23, 2017 entered into by and between JBIH and JinBei in relation to the Acquisition
“AIC”	Administration of Industry and Commerce of the PRC
“applicable percentage ratios”	the five ratios as set out in the Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction under the Listing Rules
“associate(s)”	has the meaning ascribed hereto under the Listing Rules
“Board”	the board of directors of the Company
“Bye-laws”	the bye-laws adopted by the Company and as amended from time to time
“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 June 9, 1992, whose shares are listed on the main board of the Stock Exchange (stock code: 1114)
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huachen”	Huachen Automotive Group Holdings Company Limited* (華晨汽車集團控股有限公司), the controlling shareholder of the Company which was interested in approximately 42.32% of the issued share capital of the Company as at the date of this announcement

“independent third party(ies)”	a person or company which is not considered a connected person or an associate of a connected person of the Company under the Listing Rules
“INEDs”	the independent non-executive Directors of the Company
“JBIH”	Shenyang JinBei Automotive Industry Holdings Co., Ltd. (瀋陽金杯汽車工業控股有限公司), a limited liability company established in the PRC on July 5, 2002 and an indirectly wholly-owned subsidiary of the Company
“JinBei”	Shenyang JinBei Automotive Co., Ltd.* (金杯汽車股份有限公司), a company incorporated in the PRC on May 14, 1984, whose shares are listed on the Shanghai Stock Exchange (stock code: 600609)
“JinBei Group”	JinBei and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“MPV”	multi-purpose vehicle
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“PRC GAAP”	the generally accepted accounting principles in the PRC
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	shares at par value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Shenyang Brilliance JinBei Automobile Co., Ltd.* (瀋陽華晨金杯汽車有限公司), a sino-foreign equity joint venture established in the PRC on July 19, 1991 and a subsidiary of the Company whose effective equity interest are owned as to 60.9% by the Company and as to 39.1% by JinBei as at the date of the announcement
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

For and on behalf of the Board
Brilliance China Automotive Holdings Limited
Wu Xiao An
(also known as Ng Siu On)
Chairman

* *Denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*

Hong Kong, June 23, 2017

As at the date of this announcement, the board of Directors of the Company comprises four executive Directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (Chairman), Mr. Qi Yumin (Chief Executive Officer), Mr. Qian Zuming (Chief Financial Officer) and Mr. Zhang Wei; and three independent non-executive Directors, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.