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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)**

## **KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION**

This announcement is made by Brilliance China Automotive Holdings Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 31st March, 2021, 14th April, 2021, 23rd April, 2021, 31st May, 2021, 30th June, 2021, 31st August, 2021, 30th September, 2021, 29th October, 2021, 30th December, 2021, 14th February, 2022, 30th March, 2022 and 30th June, 2022 in relation to, among other matters, delay in publication of the 2020 Annual Results, the 2021 Interim Results and the 2021 Annual Results, formation of independent board committee, appointment of independent investigator to conduct Independent Investigation on the Unauthorised Guarantees and the Additional Issues, delay in despatch of the 2020 Annual Report, the 2021 Interim Report and the 2021 Annual Report, the appointment of the Internal Control Consultant, the appointment of the independent investigator to conduct the Independent Forensic Investigation, the Resumption Guidance and suspension of trading in the shares of the Company from 9:00 a.m. on 31st March, 2021; (ii) the announcements of the Company dated 10th June, 2021, 15th December, 2021, 4th March, 2022 and 28th April, 2022 in relation to certain legal proceedings commenced against a wholly-owned subsidiary of the Company; (iii) the announcement of the Company dated 16th November, 2021 in relation to summary of key findings of the Independent Investigation; (iv) the announcements of the Company dated 23rd December, 2021 and 19th August, 2022 in relation to results of the Internal Control Review and the Expanded Internal Control Review; and (v) the announcements of the Company dated 12th January, 2022 and 24th May, 2022 in relation to the Restructuring (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

\* For identification purposes only

## BACKGROUND

As one of the Resumption Guidance as disclosed in the Company's announcement dated 14th February, 2022, the Company is required to conduct an independent forensic investigation with a view to identifying all unauthorised financial assistance made by the Group (including the Additional Fund Transfers) since 2019, announce the investigation findings, assess and announce the impact on the Company's financial and operation position, and take appropriate remedial actions.

On 15th March, 2022, the Independent Board Committee appointed RSM Corporate Advisory (Hong Kong) Limited ("**RSMCA**") to conduct the Independent Forensic Investigation.

On 8th July, 2022, RSMCA produced a draft report on the Independent Forensic Investigation (the "**Draft Independent Forensic Report**") to the Independent Board Committee, which was subject to performance of further works by RSMCA before finalisation of the Draft Independent Forensic Report.

On 18th August, 2022, RSMCA issued a report of the Independent Forensic Investigation to the Independent Board Committee (the "**Independent Forensic Report**").

This announcement outlines the key findings of the Independent Forensic Investigation and the observations made by the Independent Board Committee.

## SCOPE OF THE INDEPENDENT FORENSIC INVESTIGATION

To address the Resumption Guidance, RSMCA conducted forensic investigation on the following nine major wholly-owned subsidiaries of the Group (the "**Investigated Subsidiaries**") to identify and confirm whether the Investigated Subsidiaries have (i) undertaken unauthorised contingent liability transactions in addition to the Unauthorised Guarantees and Deposit Pledges as identified in the Independent Investigation and disclosed in the Company's announcement dated 16th November, 2021; and (ii) provided any unauthorised financial assistance, since 2019.

### Name of the Investigated Subsidiaries

1. Xing Yuan Dong
2. SJAI
3. Shenyang Jianhua Motors Engine Co., Ltd.\* (瀋陽建華汽車發動機有限公司) ("**Shenyang Jianhua**")
4. Shenyang Brilliance Jindong Development Co., Ltd.\* (瀋陽華晨金東實業發展有限公司) ("**Shenyang Jindong**")
5. Shenyang Brilliance Dongxing Automotive Component Co., Ltd.\* (瀋陽華晨東興汽車零部件有限公司) ("**Shenyang Dongxing**")
6. Ningbo Yumin Machinery Industrial Co., Ltd.\* (寧波裕民機械工業有限公司) ("**Ningbo Yumin**")
7. Ningbo Brilliance Ruixing Auto Components Co., Ltd.\* (寧波華晨瑞興汽車零部件有限公司) ("**Ningbo Ruixing**")
8. Mianyang Brilliance Ruian Automotive Components Co., Ltd.\* (綿陽華晨瑞安汽車零部件有限公司) ("**Mianyang Ruian**")
9. Shanghai Hidea Auto Design Co., Ltd.\* (上海漢風汽車設計有限公司) ("**Shanghai Hidea**")

For the purpose of the Independent Forensic Investigation, RSMCA conducted the following procedures on the Investigated Subsidiaries:

- (i) obtained and reviewed relevant accounting documents (including but not limited to bank deposit ledger and other accounts receivable ledger), internal approval process documents, receipt and payment approval documents, loan contracts, board resolutions or shareholder resolutions and other documents for all fund transfer transactions for the three financial years ended 31st December, 2019, 2020 and 2021 (the “**Review Period**”), so as to identify and confirm whether the funds transfer transactions have been recorded accurately, whether internal assessment and approval processes have been followed, and whether they are conducted on an arm’s length basis and on normal commercial terms;
- (ii) obtained and reviewed electronic evidence, including data from relevant personnel’s computers, emails and other electronic devices;
- (iii) conducted background checks on the following entities which, based on the Independent Forensic Investigation, were the recipient of fund transfers made by a number of the Investigated Subsidiaries, to confirm whether they are connected persons to the Company, so as to determine whether the fund transfers also constituted connected transactions of the Company:

	<b>Name of the recipient of fund transfers made by the Investigated Subsidiaries</b>	<b>Shareholders</b>
The Huachen Investigated Companies	Huachen	80% owned by the State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government (遼寧省人民政府國有資產監督管理委員會)  20% owned by Liaoning Provincial Social Security Fund Council (Liaoning Province Industry (Entrepreneurship) Investment Guidance Fund Management Centre)
	Brilliance Power	51% owned by Huachen  49% owned by the Company
	Liaoning Zhenguo Investment Development Co., Ltd.* (遼寧正國投資發展有限公司) (“ <b>Liaoning Zhenguo</b> ”)	75% owned by Huachen  25% owned by Zhuhai Brilliance Holdings Co., Ltd.* (珠海華晨控股有限責任公司), which is in turn 90% owned by Huachen

	<b>Name of the recipient of fund transfers made by the Investigated Subsidiaries</b>	<b>Shareholders</b>
The Dalian Huaxia Investigated Companies	Chenbao Auto	100% owned by Dalian Huaxia Northern Investment Company Limited* (大連華夏北方投資有限公司) (“ <b>Dalian Huaxia</b> ”)
	Shenyang Huafa	100% owned by Dalian Huaxia
	Huayixin	100% owned by Dalian Huaxia
	Shenyang Guangtai Industrial Development Co., Ltd.* (瀋陽廣泰實業發展有限公司) (“ <b>Shenyang Guangtai</b> ”)	100% owned by Dalian Huaxia
	Shenyang ChenFa Automobile Component Co., Ltd.* (瀋陽晨發汽車零部件有限公司) (“ <b>Shenyang Chenfa</b> ”)	75% owned by Dalian Huaxia 25% owned by the Company
	Shenyang Zhengda Enterprise Management Co., Ltd.* (瀋陽正達企業管理有限公司) (“ <b>Shenyang Zhengda</b> ”)	100% owned by Dalian Huaxia
	Mianyang Huarui Automobile Co., Ltd.* (綿陽華瑞汽車有限公司) (“ <b>Mianyang Huarui</b> ”)	100% owned by Dalian Huaxia
Independent Companies	Shenyang Development Technology Investment Management Co., Ltd.* (瀋陽拓展科技投資管理有限公司) (“ <b>Shenyang Development Technology</b> ”)	100% owned by two independent entities
	Shenyang Tuoxin Assets	100% owned by two independent individuals
	Shenyang Brilliance Automobile Co., Ltd.* (瀋陽華晨汽車有限公司) (“ <b>Shenyang Automobile</b> ”)	100% owned by an independent entity
	Shenyang Xinruixiang Enterprise Management Co., Ltd.* (瀋陽欣瑞祥企業管理有限公司) (“ <b>Shenyang Xinruixiang</b> ”)	100% owned by Shenyang Automobile

(the Huachen Investigated Companies, the Dalian Huaxia Investigated Companies and the Independent Companies are collectively referred to as the “**Target Companies**”);

- (iv) conducted interviews with the financial officers of the Investigated Subsidiaries to understand the background and reasons for the transactions, their roles and responsibilities in the transactions, and the reasons why the transactions were not recorded and/or properly accounted for;
- (v) obtained and reviewed pledges and guarantees provided during the Review Period and verified their completeness against the corporate credit report of the People’s Bank of China Credit Information Center and through corporate information search, so as to identify whether the pledges and guarantees provided have complied with the necessary approval procedures; and
- (vi) obtained and reviewed bank statements and bank deposit details.

## **SUMMARY OF KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION**

### **1. Fund Transfers**

#### ***Background***

As stated in the announcement of the Company dated 14th February, 2022, the Company noted that (i) between 2019 and 2021, there were unauthorised fund transfers to Huachen and three counterparties, which would have constituted financial assistance and at least a discloseable transaction to the Company under Chapter 14 of the Listing Rules; and (ii) Xing Yuan Dong has advanced loan to Huayixin in 2019.

## ***Findings***

Based on the Independent Forensic Investigation, RSMCA noted that during the Review Period, Xing Yuan Dong, SJAI, Shenyang Jianhua, Ningbo Yumin, Ningbo Ruixing and Mianyang Ruian made fund outflow transfers to and received fund inflow transfers from the Target Companies in the aggregate amount of RMB43,487,126,969.57 and RMB41,733,726,969.57, respectively (the “**Fund Transfers**”). Set out below is a summary of the Fund Transfers during the Review Period and a breakdown of the Fund Transfers on a year by year basis:

<b>Name of Target Company</b>	<b>Accumulated amount of fund outflows RMB</b>	<b>Accumulated amount of fund inflows RMB</b>	<b>Net inflows (-outflows) RMB</b>
<b>The Huachen Investigated Companies</b>			
Huachen	3,475,020,000.00	3,535,020,000.00	60,000,000.00
Brilliance Power	136,000,000.00	136,000,000.00	–
Liaoning Zhenguo	40,000,000.00	–	–40,000,000.00
<b>Sub-total</b>	<b>3,651,020,000</b>	<b>3,671,020,000.00</b>	<b>20,000,000.00</b>
<b>The Dalian Huaxia Investigated Companies</b>			
Chenbao Auto	19,001,465,008.09	15,202,969,117.68	–3,798,495,890.41
Shenyang Huafa	734,450,000.00	734,450,000.00	–
Huayixin	2,680,010,000.00	5,970,105,890.41	3,290,095,890.41
Shenyang Guangtai	2,071,456,084.58	2,071,456,084.58	–
Shenyang Chenfa	1,718,143,876.90	860,143,876.90	–858,000,000.00
Shenyang Zhengda	8,958,769,000.00	8,558,769,000.00	–400,000,000.00
Mianyang Huarui	3,000,000.00	–	–3,000,000.00
<b>Sub-total</b>	<b>35,167,293,969.57</b>	<b>33,397,893,969.57</b>	<b>–1,769,400,000.00</b>
<b>Independent Companies</b>			
Shenyang Development Technology	55,000,000.00	55,000,000.00	–
Shenyang Tuoxin Assets	1,000,000,000.00	1,400,000,000.00	400,000,000.00
Shenyang Automobile	9,813,000.00	9,813,000.00	–
Shenyang Xinruixiang	3,604,000,000.00	3,200,000,000.00	–404,000,000.00
<b>Sub-total</b>	<b>4,668,813,000.00</b>	<b>4,664,813,000.00</b>	<b>–4,000,000.00</b>
<b>Total</b>	<b>43,487,126,969.57</b>	<b>41,733,726,969.57</b>	<b>–1,753,400,000.00</b>

Name of Target Company	Accumulated amount of fund outflows RMB	Accumulated amount of fund inflows RMB	Net inflows (-outflows) RMB
<b>For the financial year ended 31st December, 2019</b>			
The Huachen Investigated Companies	2,314,000,000.00	2,274,000,000.00	-40,000,000.00
The Dalian Huaxia Investigated Companies	9,898,000,000.00	4,670,000,000.00	-5,228,000,000.00
Independent Companies	-	-	-
<b>Sub-total</b>	<b>12,212,000,000.00</b>	<b>6,944,000,000.00</b>	<b>-5,268,000,000.00</b>
<b>For the financial year ended 31st December, 2020</b>			
The Huachen Investigated Companies	1,337,020,000.00	1,397,020,000.00	60,000,000.00
The Dalian Huaxia Investigated Companies	23,199,293,969.57	27,107,893,969.57	3,908,600,000.00
Independent Companies	2,064,813,000.00	2,064,813,000.00	-
<b>Sub-total</b>	<b>26,601,126,969.57</b>	<b>30,569,726,969.57</b>	<b>3,968,600,000.00</b>
<b>For the financial year ended 31st December, 2021</b>			
The Huachen Investigated Companies	-	-	-
The Dalian Huaxia Investigated Companies	2,070,000,000.00	1,620,000,000.00	-450,000,000.00
Independent Companies	2,604,000,000.00	2,600,000,000.00	- 4,000,000.00
<b>Sub-total</b>	<b>4,674,000,000.00</b>	<b>4,220,000,000.00</b>	<b>-454,000,000.00</b>
<b>Total</b>	<b>43,487,126,969.57</b>	<b>41,733,726,969.57</b>	<b>-1,753,400,000.00</b>

According to the Independent Forensic Investigation, some of the Fund Transfers were either unrecorded or improperly recorded at the time of the transfers but were supplemented or rectified during the course of preparation of the audit for the year ended 31st December, 2020. None of the Fund Transfers had been reported to the board of directors of the Company for approval.

Details on the Fund Transfers made by Xing Yuan Dong, SJAI, Shenyang Jianhua, Ningbo Yumin, Ningbo Ruixing and Mianyang Ruian are set out below:

(i) *Xing Yuan Dong*

Based on the Independent Forensic Report, during the Review Period, a total of 66 unrecorded/improperly recorded fund outflow transfers and 68 unrecorded/improperly recorded fund inflow transfers took place in the bank accounts of Xing Yuan Dong with an accumulated amount of RMB11,662,173,676.90 in fund outflows and RMB10,400,173,676.90 in fund inflows (the “**Xing Yuan Dong Fund Transfers**”):

	Financial year ended 31st December	Number of transfers	Fund outflows Accumulated amount RMB	Number of transfers	Fund inflows Accumulated amount RMB
Xing Yuan Dong	2019	28	4,943,000,000.00	26	2,953,000,000.00
	2020	34	5,725,173,676.90	38	5,257,173,676.90
	2021	4	994,000,000.00	4	2,190,000,000.00
	<b>Total</b>	<b>66</b>	<b>11,662,173,676.90</b>	<b>68</b>	<b>10,400,173,676.90</b>
				<b>Net inflow (-outflow)</b>	<b>-1,262,000,000.00</b>

The Xing Yuan Dong Fund Transfers were made between 1st April, 2019 and 16th April, 2021 with the following Target Companies:

Name of Target Company	Financial year ended 31st December	Accumulated amount of fund outflows	Accumulated amount of fund inflows	Net inflows (-outflows)
Huachen	2019	1,802,000,000.00	1,802,000,000.00	-
	2020	1,240,020,000.00	1,240,020,000.00	-
	<b>Sub-total</b>	<b>3,042,020,000.00</b>	<b>3,042,020,000.00</b>	-
Chenbao Auto	2019	1,120,000,000.00	720,000,000.00	-400,000,000.00
	2020	267,009,800.00	667,009,800.00	400,000,000.00
	2021	400,000,000.00	400,000,000.00	-
<b>Sub-total</b>		<b>1,787,009,800.00</b>	<b>1,787,009,800.00</b>	-
Brilliance Power	2019	136,000,000.00	136,000,000.00	-
	<b>Sub-total</b>	<b>136,000,000.00</b>	<b>136,000,000.00</b>	-
Huayixin	2019	1,585,000,000.00	295,000,000.00	-1,290,000,000.00
	2020	790,000,000.00	2,080,000,000.00	1,290,000,000.00
	<b>Sub-total</b>	<b>2,375,000,000.00</b>	<b>2,375,000,000.00</b>	-
Shenyang Guangtai	2020	600,000,000.00	600,000,000.00	-
	<b>Sub-total</b>	<b>600,000,000.00</b>	<b>600,000,000.00</b>	-
Shenyang Chenfa	2019	300,000,000.00	-	-300,000,000.00
	2020	1,228,143,876.90	670,143,876.90	-558,000,000.00
	2021	190,000,000.00	190,000,000.00	-
<b>Sub-total</b>		<b>1,718,143,876.90</b>	<b>860,143,876.90</b>	<b>-858,000,000.00</b>
Shenyang Xinruixiang	2020	1,600,000,000.00	-	-1,600,000,000.00
	2021	404,000,000.00	1,600,000,000.00	1,196,000,000.00
	<b>Sub-total</b>	<b>2,004,000,000.00</b>	<b>1,600,000,000.00</b>	<b>-404,000,000.00</b>
<b>Total</b>		<b>11,662,173,676.90</b>	<b>10,400,173,676.90</b>	<b>-1,262,000,000.00</b>



In addition to the Xing Yuan Dong Fund Transfers listed above, RSMCA also noted from a bank statement of Xing Yuan Dong that there were a number of improperly recorded fund transfers transactions between Xing Yuan Dong and Huachen during January to March 2019 which involved aggregated fund outflows of RMB270,000,000 and fund inflows of RMB270,000,000. Such fund inflows and outflows have been fully netted off and should be aggregated with the Xing Yuan Dong Fund Transfers.

It was also noted that an off-setting arrangement among Xing Yuan Dong, SJAI and Huayixin was entered into for setting off the debt among the three parties which first arose at the end of 2019 when, given Huachen’s liquidity issue, Xing Yuan Dong provided a loan in the amount of RMB1.29 billion to Huayixin, and in early 2020, Huayixin repaid RMB690 million to Xing Yuan Dong, leaving an amount of RMB600 million to be repaid to Xing Yuan Dong. At the same time, SJAI transferred RMB600 million to Xing Yuan Dong. Later in the first half of 2020, Huayixin transferred approximately RMB600 million to SJAI.

Mr. Du, who was the financial controller of Xing Yuan Dong and concurrently acted as the financial controller of SJAI between June 2019 to July 2020 and also served as the deputy head of the finance and economic operations department of Huachen since February 2020, explained that the Xing Yuan Dong Fund Transfers were arranged by the capital management department of Huachen and he has no knowledge of the reasons for the Xing Yuan Dong Fund Transfers.

As at the date of the Independent Forensic Report, a net fund outflow of RMB1,262,000,000.00 remained outstanding under the Xing Yuan Dong Fund Transfers.

(ii) *SJAI*

Based on the Independent Forensic Report, during the Review Period, a total of 101 unrecorded/improperly recorded fund outflow transfers and 86 unrecorded/improperly recorded fund inflow transfers took place in the bank accounts of SJAI with an accumulated amount of RMB19,932,308,890.41 in fund outflows and RMB19,703,908,890.41 in fund inflows (the “**SJAI Fund Transfers**”):

	Financial year ended 31st December	Fund outflows		Fund inflows	
		Number of transfers	Accumulated amount	Number of transfers	Accumulated amount
SJAI	2019	32	7,024,000,000.00	17	3,749,000,000.00
	2020	60	9,828,308,890.41	65	14,924,908,890.41
	2021	9	3,080,000,000.00	4	1,030,000,000.00
	<b>Total</b>	<b>101</b>	<b>19,932,308,890.41</b>	<b>86</b>	<b>19,703,908,890.41</b>
				<b>Net inflow (-outflow)</b>	<b>-228,400,000.00</b>

The SJAI Fund Transfers were made between 29th August, 2019 and 15th April, 2021 with the following Target Companies:

Name of Target Company	Financial year ended 31st December	Accumulated amount of fund outflows	Accumulated amount of fund inflows	Net inflows (-outflows)
Huachen	2019	94,000,000.00	94,000,000.00	-
	2020	-	80,000,000.00	80,000,000.00
	<b>Sub-total</b>	<b>94,000,000.00</b>	<b>174,000,000.00</b>	<b>80,000,000.00</b>
Chenbao Auto	2019	6,890,000,000.00	3,655,000,000.00	-3,235,000,000.00
	2020	8,878,495,890.41	8,555,000,000.00	-323,495,890.41
	2021	30,000,000.00	30,000,000.00	-
	<b>Sub-total</b>	<b>15,798,495,890.41</b>	<b>12,240,000,000.00</b>	<b>-3,558,495,890.41</b>
Shenyang Huafa	2020	-	50,000,000.00	50,000,000.00
	2021	50,000,000.00	-	-50,000,000.00
	<b>Sub-total</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>-</b>
Shenyang Automobile	2020	9,813,000.00	9,813,000.00	-
	<b>Sub-total</b>	<b>9,813,000.00</b>	<b>9,813,000.00</b>	<b>-</b>
Huayixin	2020	230,000,000.00	3,520,095,890.41	3,290,095,890.41
	<b>Sub-total</b>	<b>230,000,000.00</b>	<b>3,520,095,890.41</b>	<b>3,290,095,890.41</b>
Shenyang Guangtai	2020	655,000,000.00	655,000,000.00	-
	<b>Sub-total</b>	<b>655,000,000.00</b>	<b>655,000,000.00</b>	<b>-</b>
Shenyang Development Technology	2020	55,000,000.00	55,000,000.00	-
	<b>Sub-total</b>	<b>55,000,000.00</b>	<b>55,000,000.00</b>	<b>-</b>
Shenyang Tuoxin Assets	2020	-	400,000,000.00	400,000,000.00
	<b>Sub-total</b>	<b>-</b>	<b>400,000,000.00</b>	<b>400,000,000.00</b>
Shenyang Xinruixiang	2020	-	1,600,000,000.00	1,600,000,000.00
	2021	1,600,000,000.00	-	-1,600,000,000.00
	<b>Sub-total</b>	<b>1,600,000,000.00</b>	<b>1,600,000,000.00</b>	<b>-</b>
Shenyang Zhengda	2021	1,400,000,000.00	1,000,000,000.00	-400,000,000.00
	<b>Sub-total</b>	<b>1,400,000,000.00</b>	<b>1,000,000,000.00</b>	<b>-400,000,000.00</b>
Liaoning Zhenguo	2019	40,000,000.00	-	-40,000,000.00
	<b>Sub-total</b>	<b>40,000,000.00</b>	<b>-</b>	<b>-40,000,000.00</b>
<b>Total</b>		<b>19,932,308,890.41</b>	<b>19,703,908,890.41</b>	<b>-228,400,000.00</b>

According to RSMCA’s interview with Mr. Xu Bin (許彬) (“**Mr. Xu**”), the current financial controller of Xing Yuan Dong who is concurrently acting as the financial controller of SJAI, as he was only appointed to such positions at the end of 2021, he is unable to ascertain whether loan agreements have been entered into in respect of the SJAI Fund Transfers.

Mr. Wang, who was the financial controller of Xing Yuan Dong and concurrently acted as the financial controller of SJAI between July 2020 to November 2021, and Mr. Du explained that the SJAI Fund Transfers were arranged by the capital management department of Huachen and they simply acted in accordance with the instructions of the capital management department of Huachen.

As at the date of the Independent Forensic Report, a net fund outflow of RMB228,400,000.00 remained outstanding under the SJAI Fund Transfers.

(iii) *Shenyang Jianhua*

Based on the Independent Forensic Report, during the Review Period, a total of 78 unrecorded/improperly recorded fund outflow transfers and 48 unrecorded/improperly recorded fund inflow transfers took place in the bank accounts of Shenyang Jianhua with an accumulated amount of RMB11,587,644,402.26 in fund outflows and RMB11,347,644,402.26 in fund inflows (the “**Shenyang Jianhua Fund Transfers**”):

	Financial year ended 31st December	Fund outflow		Fund inflow	
		Number of transfers	Accumulated amount	Number of transfers	Accumulated amount
Shenyang Jianhua	2020	77	10,987,644,402.26	45	10,347,644,402.26
	2021	1	600,000,000.00	3	1,000,000,000.00
	<b>Total</b>	<b>78</b>	<b>11,587,644,402.26</b>	<b>48</b>	<b>11,347,644,402.26</b>
				<b>Net inflows (-outflows)</b>	<b>-240,000,000.00</b>

The Shenyang Jianhua Fund Transfers were made between 23rd March, 2020 and 23rd February, 2021 with the following Target Companies:

Name of Target Company	Financial year ended 31st December	Accumulated amount of fund outflows	Accumulated amount of fund inflows	Net inflows (-outflows)
Huachen	2020	37,000,000.00	37,000,000.00	-
	<i>Sub-total</i>	<i>37,000,000.00</i>	<i>37,000,000.00</i>	-
Chenbao Auto	2020	1,415,959,317.68	1,175,959,317.68	-240,000,000.00
	<i>Sub-total</i>	<i>1,415,959,317.68</i>	<i>1,175,959,317.68</i>	<i>-240,000,000.00</i>
Shenyang Huafa	2020	684,450,000.00	684,450,000.00	-
	<i>Sub-total</i>	<i>684,450,000.00</i>	<i>684,450,000.00</i>	-
Huayixin	2020	75,010,000.00	75,010,000.00	-
	<i>Sub-total</i>	<i>75,010,000.00</i>	<i>75,010,000.00</i>	-
Shenyang Guangtai	2020	816,456,084.58	816,456,084.58	-
	<i>Sub-total</i>	<i>816,456,084.58</i>	<i>816,456,084.58</i>	-
Shenyang Tuoxin Assets	2020	400,000,000.00	-	-400,000,000.00
	2021	600,000,000.00	1,000,000,000.00	400,000,000.00
	<i>Sub-total</i>	<i>1,000,000,000.00</i>	<i>1,000,000,000.00</i>	-
Shenyang Zhengda	2020	7,558,769,000.00	7,558,769,000.00	-
	<i>Sub-total</i>	<i>7,558,769,000.00</i>	<i>7,558,769,000.00</i>	-
<b>Total</b>		<b>11,587,644,402.26</b>	<b>11,347,644,402.26</b>	<b>-240,000,000.00</b>

According to RSMCA's interview with Mr. Liu Shi (劉世) ("Mr. Liu"), the current financial controller and director of Shenyang Jianhua, he signed the board resolutions of Shenyang Jianhua approving the loan to Chenbao Auto at the instruction of the capital management department of Huachen.

In respect of the loan agreement with Shenyang Tuoxin Assets, Mr. Liu claimed that Mr. Wang had requested him to affix the official seal of Shenyang Jianhua to the loan agreement at the end of 2020. Mr. Liu declined his request as the loan agreement had not been approved by the board of directors of Shenyang Jianhua. Mr. Wang then presented Mr. Liu with the shareholder resolutions of Shenyang Jianhua, sealed with Xing Yuan Dong's company chop as the sole shareholder, approving the loan of RMB1,000,000,000 to Shenyang Tuoxin Assets. In accordance with the shareholder resolutions, Mr. Liu affixed the official seal of Shenyang Jianhua to the loan agreement.

Mr. Liu also explained that the remaining Shenyang Jianhua Fund Transfers were conducted through a bank account opened at the arrangement of Mr. Wang, the banking token to which had been kept by Mr. Wang since the opening of the bank account. He has no knowledge of the remaining Shenyang Jianhua Fund Transfers and as such there were no board approvals.

According to Mr. Wang, he does not have knowledge of the Shenyang Jianhua Fund Transfers as the banking token was kept by the capital management department of Huachen at the material time and all the Shenyang Jianhua Fund Transfers as well as the shareholder resolutions of Shenyang Jianhua were arranged by the capital management department of Huachen. He only retrieved the banking token from Mr. Ren on 27th April, 2021.

As at the date of the Independent Forensic Report, a net fund outflow of RMB240,000,000.00 remained outstanding under the Shenyang Jianhua Fund Transfers.

(iv) *Ningbo Yumin*

Based on the Independent Forensic Report, during the Review Period, a total of 6 unrecorded/improperly recorded fund outflow transfers and 6 unrecorded/improperly recorded fund inflow transfers took place in the bank accounts of Ningbo Yumin with an accumulated amount of RMB157,000,000.00 in fund outflows and RMB157,000,000.00 in fund inflows (the “**Ningbo Yumin Fund Transfers**”):

	Financial year ended 31st December	Number of transfers	Fund outflows Accumulated amount	Number of transfers	Fund inflows Accumulated amount
Ningbo Yumin	2019	5	137,000,000.00	5	137,000,000.00
	2020	1	20,000,000.00	1	20,000,000.00
	<b>Total</b>	<b>6</b>	<b>157,000,000.00</b>	<b>6</b>	<b>157,000,000.00</b>
				<b>Net inflows (-outflows)</b>	<b>-</b>

The Ningbo Yumin Fund Transfers were made between 14th January, 2019 and 28th September, 2020 with Huachen.

As explained by Mr. Xiao Jianhua (肖建華) (“**Mr. Xiao**”), the financial manager of Ningbo Yumin and Ningbo Ruixing, the Ningbo Yumin Fund Transfers were arranged by the capital management department of Huachen and Mr. Mao Yiming (茅一鳴) (“**Mr. Mao**”), the then financial controller of Ningbo Yumin and Ningbo Ruixing, took instructions from Mr. Ren. The finance department of Ningbo Yumin then proceeded with the Ningbo Yumin Fund Transfers in accordance with the board resolutions of Ningbo Yumin. All the directors of Ningbo Yumin have since been removed pursuant to a shareholder resolution of Ningbo Yumin on 22nd March, 2022 and a new executive director and legal representative has been appointed.

As at the date of the Independent Forensic Report, the full amount of the cash outflows has been netted off against the cash inflows.

(v) *Ningbo Ruixing*

Based on the Independent Forensic Report, during the Review Period, a total of 5 unrecorded/improperly recorded fund outflow transfers and 5 unrecorded/improperly recorded fund inflow transfers took place in the bank accounts of Ningbo Ruixing with an accumulated amount of RMB145,000,000.00 in fund outflows and RMB125,000,000.00 in fund inflows (the “**Ningbo Ruixing Fund Transfers**”):

	Financial year ended 31st December	Fund outflows Number of transfers	Accumulated amount	Fund inflows Number of transfers	Accumulated amount
Ningbo Ruixing	2019	4	105,000,000.00	4	105,000,000.00
	2020	1	40,000,000.00	1	20,000,000.00
	<b>Total</b>	<b>5</b>	<b>145,000,000.00</b>	<b>5</b>	<b>125,000,000.00</b>
				<b>Net inflows (-outflows)</b>	<b>-20,000,000.00</b>

The Ningbo Ruixing Fund Transfers were made between 29th May, 2019 and 28th September, 2020 with Huachen.

As explained by Mr. Xiao, the Ningbo Ruixing Fund Transfers were arranged by the capital management department of Huachen and Mr. Mao took instructions from Mr. Ren. The finance department of Ningbo Ruixing then proceeded with the Ningbo Ruixing Fund Transfers in accordance with the board resolutions of Ningbo Ruixing. All the directors of Ningbo Ruixing have since been removed pursuant to a shareholder resolution of Ningbo Ruixing on 22nd March, 2022 and a new executive director and legal representative has been appointed.

As at the date of the Independent Forensic Report, a net fund outflow of RMB20,000,000.00 remained outstanding under the Ningbo Ruixing Fund Transfers.

(vi) *Mianyang Ruian*

Based on the Independent Forensic Report, during the Review Period, Mianyang Ruian provided a loan to Mianyang Huarui on 6th December, 2019 in the sum of RMB3,000,000, which was made to Mianyang Huarui by a bank acceptance bill held by Mianyang Ruian (the “**Mianyang Ruian Fund Transfer**”).

As explained by Mr. Mao, the financial controller of Mianyang Ruian, the loan was approved by Mr. Xu Bingchu (徐炳初) (“**Mr. Xu Bingchu**”), who was the then general manager of Mianyang Ruian. At the instruction of Mr. Xu Bingchu, Mr. Mao proceeded with the Mianyang Ruian Fund Transfer. Mr. Xu Bingchu has retired from all his positions with Mianyang Ruian since 24th January, 2021.

As at the date of the Independent Forensic Report, a net fund outflow of RMB3,000,000.00 remained outstanding under the Mianyang Ruian Fund Transfer.

## 2. Unauthorised Guarantees and Deposit Pledges

### *Background*

As identified in the Independent Investigation and disclosed in the announcement of the Company dated 16th November, 2021, (i) SJAI has provided the Unauthorised Guarantees in favour of Export-Import Bank, Huaxia Bank, Harbin Bank and China Everbright Bank to secure loans to Huachen; and (ii) SJAI has provided the Deposit Pledges in favour of Shengjing Bank (Shenyang Branch Business Department), Shengjing Bank (Yaming Branch), Shengjing Bank (Wanquan Branch), Shengjing Bank (Dongling Branch), Minsheng Bank and Yingkou Bank as security for bank acceptance bills issued by Huachen, Brilliance Power and Huayixin.

### *Findings*

Based on the Independent Forensic Investigation, RSMCA noted that during the Review Period, apart from the Unauthorised Guarantees and the Deposit Pledges, one additional deposit pledge has been identified (the “**Xing Yuan Dong Deposit Pledge**”).

According to the Independent Forensic Report, on 24th June, 2020, Xing Yuan Dong pledged its cash deposited with Shengjing Bank (Shenyang Branch Business Department) in the aggregate amount of RMB40,000,000.00 as security for bank acceptance bills issued by Huayixin. Upon the maturity of the bank acceptance bills on 23rd December, 2020, Shengjing Bank (Shenyang Branch Business Department) automatically deducted the RMB40,000,000.00 from the bank account of Xing Yuan Dong. The full amount of RMB40,000,000.00 was subsequently recovered from Huayixin on 31st December, 2020.

As explained by Mr. Wang, the Xing Yuan Dong Deposit Pledge was provided before Mr. Du left his position as financial controller of Xing Yuan Dong. Mr. Wang only became aware of the Xing Yuan Dong Deposit Pledge when the RMB40,000,000.00 deposit was deducted by Shengjing Bank (Shenyang Branch Business Department).

Based on the Independent Forensic Investigation, none of the Investigated Subsidiaries has undertaken any unauthorised contingent liability transactions in addition to the Unauthorised Guarantees, the Deposit Pledges and the Xing Yuan Dong Deposit Pledge as identified in the Independent Investigation and the Independent Forensic Investigation and disclosed in the Company’s announcement dated 16th November, 2021 and this announcement.



### **3. Relationship with the Group and among the Target Companies**

During the Independent Forensic Investigation, RSMCA reviewed the shareholding structure and corporate information of each of the Target Companies.

Huachen, through its wholly-owned subsidiary, Liaoning Xinrui Automotive Industry Development Co., Ltd.\* (遼寧鑫瑞汽車產業發展有限公司), is interested in 1,535,074,988 Shares (representing approximately 30.43% of the entire issued share capital of the Company). Accordingly, Huachen was a connected person of the Company under the Listing Rules when the Fund Transfers took place and would have constituted connected transactions of the Company under the Listing Rules.

Save for the fact that a number of directors, supervisors, or former directors or supervisors of Xing Yuan Dong, Shenyang Jianhua, and Shenyang Dongxing had also concurrently served as directors or supervisors of various subsidiaries of Dalian Huaxia and Shenyang Automobile during various periods, there were no official records showing that any of the Dalian Huaxia Investigated Companies, the Independent Companies or their beneficial owners were connected persons of the Company when the Fund Transfers took place.

Furthermore, based on the review conducted by RSMCA, save that each of Dalian Huaxia and Huachen is a state-owned enterprise and the fact that a number of directors or supervisors or former directors or supervisors of various subsidiaries of Huachen had also concurrently served as directors or supervisors of various subsidiaries of Dalian Huaxia during various periods and Huayixin is a distributor of Huachen, there were no official records showing any relationship among the Huachen Investigated Companies, the Dalian Huaxia Investigated Companies and the Independent Companies.

### **4. Financial impact on the Group resulting from the Unauthorised Guarantees, the Deposit Pledges and the Fund Transfers**

Based on the Independent Investigation and the Independent Forensic Investigation, the Group is anticipated to be exposed to the following impact on its financial position:

- (i) total guaranteed liability to Export-Import Bank, Huaxia Bank, Harbin Bank and China Everbright Bank in the aggregate amount of approximately RMB1.9 billion in accordance with the judgements issued by the Shenyang Intermediate People's Court in relation to the Unauthorised Guarantees, the legal proceedings of which are either still ongoing or under appeal;
- (ii) a loss on deposits of RMB4,005,900,000 (comprised of Deposit Pledges in the amount of RMB3,990,000,000 and interest in the amount of RMB15,900,000 accrued from the term deposit of RMB300,000,000 deposited by SJA I with Yingkou Bank); and
- (iii) a loss of RMB2,353,400,000.00 as a result of the Fund Transfers.



## **ENHANCEMENT OF INTERNAL CONTROL**

As disclosed in the announcements of the Company dated 29th October, 2021 and 30th June 2022, the Company has engaged the Internal Control Consultant to carry out the Internal Control Review and the Expanded Internal Control Review and a summary of which was disclosed in the announcements of the Company dated 23rd December, 2021 and 19th August, 2022, respectively. As announced by the Company on 19th August, 2022, the Group has implemented the remedial actions recommended by the Internal Control Consultant and the Internal Control Consultant has performed follow-up review on the enhanced internal control systems and procedures and noted that on the basis of the Company's completion of implementation of the remedial measures recommended in the Internal Control Review report and the Expanded Internal Control Review Report, there was no indication of any material deficiencies on the internal control systems and procedures in relation to the subsidiaries of the Company that were the subject of the Internal Control Review and the Expanded Internal Control Review. The Internal Control Consultant is satisfied that the Group currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfill the Company's obligations under the Listing Rules.

## **VIEWS OF THE BOARD AND THE INDEPENDENT BOARD COMMITTEE ON THE KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION**

The Independent Board Committee has reviewed and accepted the key findings of the Independent Forensic Investigation, which covered the Investigated Subsidiaries for the Review Period. Having considered that (i) Huachen has officially entered the restructuring procedure and all the creditors of Huachen should have already submitted their claims to the administrator of Huachen and/or brought legal proceedings against the Group to enforce their rights, if any; (ii) save for the financial assistances revealed in the Independent Forensic Report, the Group has not been notified of any other transactions involving Huachen, other third parties and the Group not previously known to the Company; and (iii) no unauthorised contingent liability transactions or unauthorised financial assistance has been identified in the Independent Forensic Report since May 2021, the Independent Board Committee considered that the scope of the Independent Forensic Investigation is adequate. The Board shared the views of the Independent Board Committee towards the findings and scope of the Independent Forensic Report.

The findings of the Independent Investigation and the Independent Forensic Investigation revealed certain deficiencies in the Group's corporate governance and internal control system and that the intentional and premediated actions of Huachen to bypass the Group's existing corporate governance and internal controls, in particular through its influence over the former management of certain subsidiaries of the Group was the major cause of the financial assistances revealed in the Independent Forensic Report. The Independent Board Committee noted that the Company has engaged the Internal Control Consultant to carry out the Internal Control Review and the Expanded Internal Control Review and the Group has implemented the remedial actions recommended by the Internal Control Consultant. It is also noted that the Internal Control Consultant has performed follow-up review on the enhanced internal control systems and procedures of the subsidiaries of the Company that were the subject of the Internal Control Review and the Expanded Internal Control Review and is satisfied that the Group currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfill the Company's obligations under the Listing Rules.

In view of the above, the Independent Board Committee has made the following recommendations to the Board:

- (i) to assess the transactions revealed in the Independent Forensic Report and for those financial assistances which are subject to disclosure obligations under the Listing Rules, to make the necessary disclosures in compliance with the Listing Rules;
- (ii) engage legal counsels to opine on the possible legal actions that may be initiated for the recovery of the Group's losses as a result of the Unauthorised Guarantees and the Deposit Pledges; and
- (iii) engage legal counsels to opine on the possible legal actions that may be initiated for the recovery of the Group's losses as a result of the Fund Transfers.

The Board agreed with the recommendations of the Independent Board Committee and has resolved that the recommendations of the Independent Board Committee be implemented as soon as practicable. As at the date of this announcement, the Group has undertaken the following remedial actions:

- (i) has implemented the remedial actions recommended by the Internal Control Consultant pursuant to the Internal Control Review and the Expanded Internal Control Review and the Internal Control Consultant is satisfied that the Group currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfill the Company's obligations under the Listing Rules;
- (ii) is in the process of assessing the transactions revealed in the Independent Forensic Report and will make the necessary disclosures in compliance with the Listing Rules;

- (iii) has engaged legal counsel to defend the legal proceedings in respect of the Unauthorised Guarantees; and
- (iv) has engaged legal counsel to examine the legality of the Deposit Pledges and Fund Transfers and to take appropriate course of actions for the recovery of the Deposit Pledges and the Fund Transfers.

## **IMPACT ON THE GROUP'S BUSINESS OPERATIONS AND FINANCIAL POSITIONS**

The Board (including the Independent Board Committee) noted the impact of the Unauthorised Guarantees, the Deposit Pledges and the Fund Transfers on the financial position of the Group as set out in the Independent Investigation Report and the Independent Forensic Report. SJAI has engaged legal counsel to defend the legal proceedings in respect of the Unauthorised Guarantees and have made the necessary filings to assert the Group's creditors' right to the administrator of Huachen.

The Board (including the Independent Board Committee) is of the view that the findings identified in the Independent Investigation Report and the Independent Forensic Report do not impose a material adverse impact on the business operation of the Group. The Group will continue to review its existing businesses from time to time and make further announcement as and when appropriate.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31st March, 2021, and will remain suspended until further notice pending fulfillment of the Resumption Guidance.

**Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 19th August, 2022

*As at the date of this announcement, the Board comprises four executive directors of the Company, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (Chairman), Mr. Shen Tie Dong (Chief Executive Officer), Mr. Zhang Wei and Mr. Sun Baowei; and three independent non-executive directors of the Company, Mr. Song Jian, Mr. Jiang Bo and Mr. Dong Yang.*