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POWER XINCHEN

新 晨 动 力

XINCHEN CHINA POWER HOLDINGS LIMITED

新 晨 中 國 動 力 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1148)

**DISCLOSEABLE TRANSACTION–
DISPOSAL OF 50% EQUITY INTEREST IN
A JOINT VENTURE COMPANY**

On 10 May 2019 (after the trading hours of the Stock Exchange), Mianyang Xincheng, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which Mianyang Xincheng has agreed to sell and the Purchaser has agreed to purchase 50% of the equity interest in the JV Company at the Consideration of approximately RMB50,540,000.

As one of the applicable percentage ratios in respect of the Disposal exceeds 5% but all such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

On 10 May 2019 (after the trading hours of the Stock Exchange), Mianyang Xincheng and the Purchaser entered into the Equity Transfer Agreement, particulars of the principal terms of which are set out below:

Date

10 May 2019

Parties

1. Mianyang Xincheng, an indirect wholly-owned subsidiary of the Company, as vendor
2. the Purchaser, as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save that the Purchaser is the majority shareholder of the JV Partner owning approximately 60.1% of its issued shares, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Assets to be disposed of

50% of the equity interest in the JV Company held by Mianyang Xincheng

Further particulars of the JV Company are set out in the section headed "Information on the JV Company" below.

Consideration and payment terms

The Consideration in the total sum of RMB50,540,000 shall be paid in cash in the following manner:

- (i) a total of RMB15,000,000, representing approximately 29.68% of the Consideration, has been deposited into the settlement account as designated by the Dalian Exchange, which will be applied towards payment of an equivalent sum of the Consideration at Completion; and
- (ii) RMB35,540,000, representing the remaining approximately 70.32% of the Consideration, shall be deposited into the settlement account as designated by the Dalian Exchange within five business days from the date of signing of the Equity Transfer Agreement.

The Consideration was determined following a bidding process conducted at the Dalian Exchange and the base price was fixed by reference to the appraised value of the JV Company as at 30 April 2018 based on the net asset value of the JV Company as at that date, as appraised by an independent valuer in the PRC. Such independent valuer has confirmed in writing that no material change has occurred in such appraised value as at 18 April 2019.

The Company estimates the potential unaudited gain on the Disposal, being the Consideration less the relevant expenses in relation to the Disposal as well as the net carrying amount of the JV Company (which was reclassified as an asset held for sale during the year ended 31 December 2018) as at the date of Completion, to be approximately RMB0.6 million. The proceeds from the Disposal are intended to be used as general working capital of the Group.

Completion

Completion is not conditional upon satisfaction of any conditions. Mianyang Xincheng and the Purchaser shall within 60 business days from the date on which the Consideration and the related transaction fee have been paid in full pursuant to the Equity Transfer Agreement cooperate with the JV Company to attend to the registration of the Disposal with the relevant authorities in the PRC.

As at the date of this announcement, the JV Company is accounted for as an asset held for sale whose financial results are not consolidated into those of the Company. Upon Completion, Mianyang Xincheng will cease to have any equity interest in the JV Company.

INFORMATION ON THE GROUP AND MIANYANG XINCHEN

The Group is principally engaged in the development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC.

Mianyang Xincheng is an indirect wholly-owned subsidiary of the Company, which was established in the PRC with limited liability on 23 March 1998 and is principally engaged in the development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles.

INFORMATION ON THE JV COMPANY

The JV Company was established in the PRC with limited liability on 9 January 2012 and is principally engaged in the sale of automobile engines, the manufacture and sale of automotive components and the provision of related technical support in the PRC. As at the date of this announcement, the equity interest of the JV Company is owned as to 50% by Mianyang Xincheng and 50% by the JV Partner and the registered capital of the JV Company is RMB250 million.

The financial information of the JV Company for the two financial years ended 31 December 2018 according to its management accounts is set out below:

	For the year ended 31 December	
	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit/(loss) before tax	(574)	(11,116)
Profit/(loss) after tax	(708)	(17,020)

As at 31 March 2019, the unaudited net assets of the JV Company as extracted from its management accounts amounted to approximately RMB81.9 million.

INFORMATION ON THE PURCHASER

The Purchaser was established in the PRC with limited liability on 20 May 2003 and is principally engaged in the development, design, manufacture and sale of a full range of passenger vehicles and commercial vehicles, engines, auto parts, machinery, castings and forgings, powder metallurgy products, electromechanical equipment, tools and molds; development and design of new energy vehicles and their components, manufacturing and sales; as the general distributor of Nissan brands imported vehicles in the PRC, importing and importing domestically produced Nissan brands and related parts, spare parts and decorative parts, and providing corresponding after-sales services; construction project management; technical consulting, technical services, information services, logistics services and after-sales services for its business projects; import and export business; other services (including insurance brokerage, used car replacement, financial services).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save that the Purchaser is the majority shareholder of the JV Partner owning approximately 60.1% of its issued shares, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Through the Disposal, the Group will be able to recoup its investment in the JV Company and to apply the net proceeds from the Disposal to higher profit-generating projects in its principal business operations, which is beneficial to the future development of the Group.

Based on the above, the Directors consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal exceeds 5% but all such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors;
“Company”	Xinchen China Power Holdings Limited (新晨中國動力控股有限公司), an exempted company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Equity Transfer Agreement in accordance with its terms;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration in the sum of RMB50,540,000 payable by the Purchaser to Mianyang Xinchen under the Equity Transfer Agreement for the 50% equity interest in the JV Company;
“Dalian Exchange”	Dalian Property Rights Exchange* (大連產權交易所), an exchange organisation established under the auspices of the People’s Government of Dalian;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of 50% of the equity interest in the JV Company by Mianyang Xinchen to the Purchaser;
“Equity Transfer Agreement”	the equity transfer agreement dated 10 May 2019 between Mianyang Xinchen as vendor and the Purchaser as purchaser in relation to, among others, the Disposal;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JV Company”	Changzhou Dongfeng Xinchen Engine Co., Ltd.* (常州東風新晨動力機械有限公司), a company established in the PRC with limited liability;
“JV Partner”	Dongfeng Automobile Co., Ltd.* (東風汽車股份有限公司), a company incorporated in the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mianyang Xincheng”	Mianyang Xincheng Engine Co., Ltd.* (綿陽新晨動力機械有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement;
“Purchaser”	Dongfeng Motor Co., Ltd.* (東風汽車有限公司), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 10 May 2019

As at the date of this announcement, the Board comprises two executive Directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (Chairman) and Mr. Wang Yunxian (Chief Executive Officer); two non-executive Directors, Mr. Liu Tongfu and Mr. Yang Ming; and four independent non-executive Directors, Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.

* for identification purposes only