

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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 AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
PRODUCTION LINES AND INVENTORIES**

The Board would like to announce that on 25 November 2013 (after trading hours), Huachen and Mianyang Xincheng entered into the Acquisition Agreement pursuant to which Mianyang Xincheng agreed to purchase and Huachen agreed to sell the Production Lines and the Inventories.

We refer to our announcement dated 28 May 2013 in relation to the Lease Agreement and the Materials Procurement Agreement. As a result of the above Acquisition, the parties further propose to enter into an agreement which will supersede and replace the Lease Agreement entered into between Mianyang Xincheng and Huachen. Among other changes to the terms of the lease, the leasing of the E3 engine production lines will cease to have effect but space for accommodating both the E3 engine production lines and the connection rod production lines will be leased from Huachen to Mianyang Xincheng with effect from immediately after Completion. The parties also intend to terminate the related Materials Procurement Agreement with effect from immediately after Completion. A further announcement will be made in due course when the new agreement has been signed.

As at the date of this announcement, Huachen is interested in 42.48% of the issued share capital of Brilliance China, a controlling shareholder of the Company which in turn is interested in 31.07% of the issued share capital of the Company. Huachen is deemed as a connected person of the Company under Rule 14A.06 of the Listing Rules by the Stock Exchange. Mianyang Xincheng, on the other hand is an indirect wholly-owned subsidiary of the Company. As the highest applicable percentage ratio in respect of the Acquisition is more than 5% but less than 25% and the Consideration is more than HK\$10 million, the Acquisition constitutes a discloseable and connected transaction of the Company which is subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules.

The Directors (including the independent non-executive Directors except for Mr. Wu Xiao An and Mr. Qi Yumin who had abstained from voting at the Board) are of the view that the transactions contemplated under the Acquisition Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

A general meeting will be convened and held by the Company as soon as practicable to consider and if thought fit, to pass the resolutions in relation to the Acquisition Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder, (ii) recommendations from the Independent Board Committee to the Independent Shareholders, (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders together with (iv) a notice convening the general meeting will be despatched within 15 Business Days after the date of this announcement. Brilliance China and its associates are required to abstain from voting at the general meeting.

**WARNING: The completion of the Acquisition is subject to the satisfaction of the Conditions precedent described in this announcement, and therefore the Acquisition may or may not be completed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional advisers if in doubt.**

## **KEY TERMS OF THE ACQUISITION AGREEMENT**

On 25 November 2013 (after trading hours), Huachen and Mianyang Xincheng entered into the Acquisition Agreement pursuant to which Mianyang Xincheng agreed to purchase and Huachen agreed to sell the Production Lines and the Inventories.

### **Parties**

- (1) Huachen, as the seller; and
- (2) Mianyang Xincheng, as the purchaser.

### **Assets to be Acquired**

- (1) The Production Lines consist of the E3 engine production lines and the connection rod production lines in the E2 Factory located in No. 12, the 8 Road, Economic and Technological Development Zone, Shenyang, PRC; and
- (2) The Inventories primarily comprising some auxiliary materials, cutting tools, the parts and components of E3 engines, a small amount of E3 finished products, the roughcasts of connection rod and some finished connection rod products.

## **Consideration**

The Consideration for the Acquisition is RMB451,423,200 (equivalent to approximately HK\$572,178,906), comprising the Production Lines of RMB299,813,000 (equivalent to approximately HK\$380,012,978) and the Inventories of RMB86,018,800 (equivalent to approximately HK\$109,028,829), both VAT exclusive, and corresponding VAT of RMB50,968,200 and RMB14,623,200. The Consideration will be settled in cash or cash equivalents or by setting off accounts receivables due from Huachen or its subsidiaries, as determined by the parties.

The Consideration was determined after arm's length negotiations between Huachen and Mianyang Xinchun, with reference primarily to the indicative valuation of the Production Lines and the Inventories prepared by the Independent Valuer, being approximately RMB385,831,800 (equivalent to approximately HK\$489,041,807) as set out in the valuation report dated 25 November 2013. The book values of the Production Lines and the Inventories were approximately RMB265,484,010 (equivalent to approximately HK\$336,500,983) and RMB83,243,100 (equivalent to approximately HK\$105,510,629) respectively as at 30 June 2013. The aggregate original purchase costs of the Production Lines and the Inventories were approximately RMB324,732,700 (equivalent to approximately HK\$411,598,697) and RMB83,243,100 (equivalent to approximately HK\$105,510,629) respectively.

The VAT was calculated at the standard rate in the PRC of 17%.

In the event that Mianyang Xinchun fails to pay all or any part of the Consideration on the terms of the Acquisition Agreement, it shall be liable to pay, for each day where any part of the Consideration remains overdue, an amount equivalent to 0.03% of the outstanding balance. If it fails to fulfill its payment obligation within thirty (30) working days from the due date of any part of the Consideration, Huachen shall be entitled to terminate the Acquisition Agreement and request Mianyang Xinchun to pay an additional amount equivalent to 10% of the total Consideration.

## **Completion of the Acquisition**

Completion is expected to take place within ten (10) working days after the date on which all Conditions precedent have been satisfied. The ownership and risk of the Production Lines and the Inventories shall transfer from Huachen to Mianyang Xinchun upon the acknowledgement by Mianyang Xinchun of its receipt of each asset in writing.

If Huachen fails to deliver the Production Lines and the Inventories on the terms of the Acquisition Agreement, Mianyang Xinchun shall have the right to request delivery in writing. If Huachen fails to deliver the Production Lines and the Inventories within thirty (30) working days from the date of such written notice, Mianyang Xinchun shall be entitled to terminate the Acquisition Agreement and request Huachen to refund in full any part of the Consideration and the interest accrued thereto paid by Mianyang Xinchun to Huachen and to pay an amount equivalent to 10% of the total Consideration.

## **Conditions precedent to the Acquisition**

The Acquisition Agreement will become effective upon the satisfaction of the following Conditions:

- (1) the Acquisition Agreement has been duly executed by the parties and has been affixed with their company chops;
- (2) the Acquisition having been approved by Liaoning SASAC; and
- (3) the Acquisition having been approved by the Independent Shareholders.

The parties cannot waive any of the above Conditions. If the Conditions are not satisfied within three (3) months of the date of the Acquisition Agreement or by another date as mutually agreed by the parties, the Acquisition Agreement will automatically lapse.

## **REASONS AND BENEFITS OF THE ACQUISITION**

### **E3 Engine Production Lines**

As mentioned in our announcement dated 28 May 2013, the Company had leased from Huachen the E3 engine production lines and part of the E2 Factory as part of its plan to increase its production capacity and upgrade existing production machineries and equipment by constructing new production facilities to meet the increasing demand for its products. Further details on the Lease Agreement and the related Materials Procurement Agreement entered into between Mianyang Xincheng and Huachen are set out in the Company's announcement dated 28 May 2013. The Company has determined that it would be more beneficial to acquire the E3 engine production lines rather than continue to lease them, as this would enable the Company to upgrade and retool the facilities more efficiently to meet the new and higher demand of customers.

### **Connection Rod Production Lines**

The Company plans to expand into new markets by assembling the N20 engines with BMW Brilliance Automotive Ltd. (華晨寶馬汽車有限公司). As the connection rod is a key component of this engine model, the Company has decided to acquire the connection rod production lines to complement its business.

## **The Lease Agreement and the Materials Procurement Agreement**

As a result of the above Acquisition, the parties further propose to enter into an agreement which will supersede and replace the Lease Agreement entered into between Mianyang Xincheng and Huachen. Among other changes to the terms of the lease, the leasing of the E3 engine production lines will cease to have effect but space for accommodating both the E3 engine production lines and the connection rod production lines will be leased from Huachen to Mianyang Xincheng with effect from immediately after Completion. The parties also intend to terminate the related Materials Procurement Agreement with effect from immediately after Completion. A further announcement will be made in due course when the new agreement has been signed.

## **View of the Directors**

Mr. Wu Xiao An, an executive Director, is also the chairman and an executive director of Brilliance China; and Mr. Qi Yumin, a non-executive Director, is also the chairman and president of Huachen. Accordingly, Mr. Wu Xiao An and Mr. Qi Yumin had abstained from voting at the Board resolutions in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement. The Board confirms that except for Mr. Wu Xiao An and Mr. Qi Yumin, none of the other Directors has any material interest in the Acquisition and the transactions contemplated under the Acquisition Agreement. Accordingly, none of the other Directors, except for Mr. Wu Xiao An and Mr. Qi Yumin, were required to abstain from voting on the Board resolutions in relation to the Acquisition and the transactions contemplated under the Acquisition Agreement.

The Directors (including the independent non-executive Directors except for Mr. Wu Xiao An and Mr. Qi Yumin who had abstained from voting at the Board) are of the view that the transactions contemplated under the Acquisition Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF THE PARTIES INVOLVED**

The Group is principally engaged in the manufacture of automotive engine of the passenger vehicles and light commercial vehicles; and development, manufacture and sale of light-duty gasoline and diesel engines.

Huachen is a state-owned limited liability company which was established under the PRC laws and is beneficially wholly-owned by the People's Government of Liaoning Province of the PRC. The principal activities of the Huachen Group include but not limited to investment holding, and manufacture and sale of Zhonghua (中華) branded sedans.

## LISTING RULES REQUIREMENTS

As at the date of this announcement, Huachen is interested in 42.48% of the issued share capital of Brilliance China, a controlling shareholder of the Company which in turn is interested in 31.07% of the issued share capital of the Company. Huachen is deemed as a connected person of the Company under Rule 14A.06 of the Listing Rules by the Stock Exchange. Mianyang Xinchun, on the other hand is an indirect wholly-owned subsidiary of the Company. As the highest applicable percentage ratio in respect of the Acquisition is more than 5% but less than 25% and the Consideration is more than HK\$10 million, the Acquisition constitutes a discloseable and connected transaction of the Company which is subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, being the independent non-executive Directors, has been established to advise the Shareholders as to whether the terms of the Acquisition are fair and reasonable and whether the Acquisition is in the interest of the Company and the Shareholders as a whole, after taking into account the recommendations of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and whether the Acquisition is in the interest of the Company and the Shareholders as a whole.

A general meeting will be convened and held by the Company as soon as practicable to consider and if thought fit, to pass the resolutions in relation to the Acquisition Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder, (ii) recommendations from the Independent Board Committee to the Independent Shareholders, (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders together with (iv) a notice convening the general meeting will be despatched within 15 Business Days after the date of this announcement. Brilliance China and its associates are required to abstain from voting at the general meeting.

**WARNING: The completion of the Acquisition is subject to the satisfaction of the Conditions precedent described in this announcement, and therefore the Acquisition may or may not be completed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional advisers if in doubt.**

## DEFINITIONS

“Acquisition”	the purchase by Mianyang Xincheng and the sale by Huachen of the Production Lines and the Inventories subject to and in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into between Mianyang Xincheng and Huachen dated 25 November 2013 in relation to the sale and purchase of the Production Lines and the Inventories subject to and on the terms thereof
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Brilliance China”	Brilliance China Automotive Holdings Limited ( 華晨中國汽車控股有限公司*), a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange, and is a controlling shareholder
“Business Day”	a day that is not a Saturday, Sunday or a public holiday in Hong Kong on which the licensed banks in Hong Kong are generally open for business
“Company”	Xincheng China Power Holdings Limited ( 新晨中國動力控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability
“Completion”	the transfer of the Production Lines and the Inventories as set out in Clause 3.1 of the Acquisition Agreement
“Conditions”	the conditions precedent to Completion as set out in Clause 9.1 of the Acquisition Agreement
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration for the Acquisition as set out in Clause 2.1 of the Acquisition Agreement
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Directors”	director(s) of the Company
“E2 Factory”	the factory in which the E3 engine production lines and the connection rod production lines are located

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Huachen”	Huachen Automotive Group Holdings Company Limited* (華晨汽車集團控股有限公司), a state-owned company incorporated in the PRC and a controlling shareholder of Brilliance China
“Huachen Group”	Huachen and its subsidiaries
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, being Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin
“Independent Financial Adviser”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Independent Valuer”	Beijing Zhuoxindahua Appraisal Co., Ltd* (北京卓信大華資產評估有限公司), an independent professional valuer
“Independent Shareholder(s)”	Shareholder(s) other than Brilliance China and its associates
“Inventories”	inventories primarily comprising some auxiliary materials, cutting tools, the parts and components of E3 engines, a small amount of E3 finished products, the roughcasts of connection rod and some finished connection rod products
“Lease Agreement”	the lease agreement dated 28 May 2013 entered into between Mianyang Xinchun and Huachen in relation to the lease of the Production Lines, part of the E2 Factory and other related assets
“Liaoning SASAC”	State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government of the PRC* (遼寧省人民政府國有資產監督管理委員會)



“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Materials Procurement Agreement”	the materials procurement agreement dated 28 May 2013 entered into between Mianyang Xincheng and Huachen in relation to the procurement of supporting production materials and the supply of such basic utilities as water, electricity, gas, heating and communications
“Mianyang Xincheng”	Mianyang Xincheng Engine Co., Ltd.* (綿陽新晨動力機械有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Production Lines”	the E3 engine production lines and the connection rod production lines in the E2 Factory located in No. 12, the 8 Road, Economic and Technological Development Zone, Shenyang, PRC and related assets
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$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
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“VAT”	value-added-tax
“%”	per cent

\* *for identification purposes only*

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

Hong Kong, 25 November 2013

*For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK\$ was translated at the rate of RMB1 = HK\$1.2675. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

*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. Qi Yumin and Mr. Li Peiqi; and four independent non-executive Directors, Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.*