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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)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RESPECT OF LEASE OF FACTORY PREMISES**

The Board would like to announce that on 16 December 2013 (after trading hours), Shenyang Brilliance Power and Mianyang Xincheng entered into the New Lease Agreement pursuant to which Shenyang Brilliance Power agreed to lease to Mianyang Xincheng the Factory Premises at a rental of RMB4,999,920 (equivalent to approximately HK\$6,362,398) per year.

We refer to our announcement dated 28 May 2013 in relation to the CCT Agreements (namely the Framework Agreement, the Lease Agreement, the Materials Procurement Agreement and the Use of Technology Agreement) and our announcement dated 25 November 2013 in relation to the Acquisition Agreement. Immediately after the ownership of the Production Lines and the Inventories has been transferred from Huachen to Mianyang Xincheng on the terms of the Acquisition Agreement, the Framework Agreement, the Lease Agreement and the Materials Procurement Agreement will be terminated and the New Lease Agreement will take effect. All the terms and conditions of the Use of Technology Agreement will continue to have effect.

As at the date of this announcement, Shenyang Brilliance Power is 51% and 49% owned by Huachen and Brilliance China respectively. Huachen is interested in 42.48% 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 to be 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. Accordingly, the transactions contemplated under the New Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the percentage ratios in respect of the proposed annual caps of the transactions contemplated under the New Lease Agreement are less than 5%, these transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from independent shareholders' approval requirement.

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 New Lease 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.

## **KEY TERMS OF THE NEW LEASE AGREEMENT**

On 16 December 2013 (after trading hours), Shenyang Brilliance Power and Mianyang Xincheng entered into the New Lease Agreement pursuant to which Shenyang Brilliance Power agreed to lease to Mianyang Xincheng the Factory Premises.

### **Parties**

- (1) Shenyang Brilliance Power, as the lessor; and
- (2) Mianyang Xincheng, as the lessee.

### **Subject of the lease**

Pursuant to the New Lease Agreement, Shenyang Brilliance Power agreed to lease to Mianyang Xincheng the Factory Premises with a total area of 20,833 square metres which is part of the E2 Factory situated in No. 12, the 8 Road, Economic and Technological Development Zone, Shenyang, PRC, the related land use right and ancillary assets, primarily for the accommodation of the Production Lines.

### **Term**

The New Lease Agreement shall take effect immediately after the ownership of the Production Lines and the Inventories has been transferred from Huachen to Mianyang Xincheng on the terms of the Acquisition Agreement and possession of the Factory Premises shall be passed from Shenyang Brilliance Power to Mianyang Xincheng within five (5) days after the effective date of the New Lease Agreement. Subject to the right of both parties to terminate in accordance with the New Lease Agreement, the lease shall expire on (and including) 31 December 2015. Mianyang Xincheng may, with the approval of Shenyang Brilliance Power, renew the terms of the New Lease Agreement by three (3) months' written notice to Shenyang Brilliance Power prior to the expiry of the New Lease Agreement or terminate the New Lease Agreement by three (3) months' prior written notice to Shenyang Brilliance Power.

Pursuant to the New Lease Agreement, if Shenyang Brilliance Power intends to sell the Factory Premises during the term of the New Lease Agreement, Shenyang Brilliance Power shall give Mianyang Xinchun three (3) months' prior written notice and Mianyang Xinchun has the right of first refusal to purchase the Factory Premises.

### **Consideration**

The rental for the Factory Premises which is calculated on the basis of RMB240 (equivalent to approximately HK\$305) per square metre, is RMB4,999,920 (equivalent to approximately HK\$6,362,398) per year, and the rental for the first year of the lease will be adjusted accordingly if the lease commences sometime during the year. Shenyang Brilliance Power shall issue to Mianyang Xinchun an invoice within ten (10) days after the effective date of the New Lease Agreement which sets out the amount of the rental for the period from the first date of the lease to 31 December 2014 (inclusive) and another invoice on or before 10 January 2015 which sets out the amount of the rental for the period from 1 January 2015 to 31 December 2015 (inclusive). Rents are payable quarterly upon the receipt of each invoice.

The rental was determined after arm's length negotiations between Shenyang Brilliance Power and Mianyang Xinchun based on the market rates of factory premises of comparable size in the same district of Shenyang.

### **Proposed annual caps**

The proposed annual cap of the continuing connected transactions contemplated under the New Lease Agreement for each of the two financial years ending 31 December 2014 and 2015 is RMB4,999,920 (equivalent to approximately HK\$6,362,398). In determining the proposed annual caps, the Board has taken into account the rental for the Factory Premises.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW LEASE AGREEMENT**

As mentioned in our announcement dated 25 November 2013, the Acquisition is part of the Company's plan to increase its production capacity and upgrade existing production machineries and equipment to meet the increasing demand for its products. Further details on the Acquisition are set out in the Company's announcement dated 25 November 2013. The purpose of entering into the New Lease Agreement is to lease space primarily for accommodating the Production Lines acquired by Mianyang Xinchun from Huachen.

Immediately after the ownership of the Production Lines and the Inventories has been transferred from Huachen to Mianyang Xinchun on the terms of the Acquisition Agreement, the Framework Agreement, the Lease Agreement and the Materials Procurement Agreement will be terminated and the New Lease Agreement will take effect. All the terms and conditions of the Use of Technology Agreement will continue to have effect. Huachen will continue to allow Mianyang Xinchun to use the Production Technology for the production of the Product free of charge on an exclusive basis on the terms of the Use of Technology Agreement. Further details on the CCT Agreements are set out in the Company's announcement dated 28 May 2013.

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 transactions contemplated under the New Lease Agreement. The Board confirms that except for Mr. Wu Xiao An and Mr. Qi Yumin, none of the other Directors have any material interest in the transactions contemplated under the New Lease 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 transactions contemplated under the New Lease 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 New Lease 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 engines of the passenger vehicles and light commercial vehicles; and development, manufacture and sale of light-duty gasoline and diesel engines.

Shenyang Brilliance Power is a non-wholly owned subsidiary of Huachen. The principal business activities of Shenyang Brilliance Power include the trading of automotive engines. It does not have any automotive engine manufacturing capabilities. 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, Shenyang Brilliance Power is 51% and 49% owned by Huachen and Brilliance China respectively. Huachen is interested in 42.48% 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 to be 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. Accordingly, the transactions contemplated under the New Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the percentage ratios in respect of the proposed annual caps of the transactions contemplated under the New Lease Agreement are less than 5%, these transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from independent shareholders' approval requirement.

## 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                         |
| “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 a controlling shareholder of the Company                     |
| “CCT Agreements”          | the Framework Agreement, the Lease Agreement, the Materials Procurement Agreement and the Use of Technology Agreement  |
| “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  |
| “connected person”        | has the meaning ascribed thereto in the Listing Rules  |
| “controlling shareholder” | has the meaning ascribed thereto in the Listing Rules  |
| “Directors”               | director(s) of the Company   |
| “E2 Factory”              | the factory situated in No. 12, the 8 Road, Economic and Technological Development Zone, Shenyang, PRC   |
| “Factory Premises”        | the factory premises with a total area of 20,833 square metres which is part of the E2 Factory, the related land use right and ancillary assets  |
| “Framework Agreement”     | the framework agreement dated 28 May 2013 entered into between Mianyang Xincheng and Huachen pursuant to which the parties entered into the Lease Agreement, the Materials Procurement Agreement and the Use of Technology Agreement |
| “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  |
| “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 E3 engine production lines, part of the E2 Factory and other related assets   |
| “Listing Rules”                   | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Materials Procurement Agreement” | the materials procurement agreement dated 28 May 2013 entered into between Mianyang Xinchun and Huachen in relation to the procurement of supporting production materials and the supply of basic utilities such as water, electricity, gas, heating and communications |
| “Mianyang Xinchun”                | Mianyang Xinchun 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   |
| “New Lease Agreement”             | the lease agreement dated 16 December 2013 entered into between Mianyang Xinchun and Shenyang Brilliance Power in relation to the lease of the Factory Premises   |
| “PRC”                             | The People’s Republic of China  |
| “Product”                         | BM15 engines and BM15T engines to be produced under the E3 engine production lines  |
| “Production Lines”                | the E3 engine production lines and the connection rod production lines in the E2 Factory and related assets   |
| “Production Technology”           | the technology related to the production of the Product   |

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|-------------------------------|--|
| “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)  |
| “Shenyang Brilliance Power”   | Shenyang Brilliance Power Train Machinery Co., Ltd.* (瀋陽華晨動力機械有限公司), a company incorporated in the PRC which is 51% and 49% owned by Huachen and Brilliance China respectively |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited  |
| “subsidiaries”                | has the meaning ascribed thereto in the Listing Rules  |
| “Use of Technology Agreement” | the use of technology agreement dated 28 May 2013 entered into between Mianyang Xincheng and Huachen in relation to the use of the Production Technology by Mianyang Xincheng  |
| “%”                           | 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, 16 December 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\$1.2725. 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.*