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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)

CONNECTED TRANSACTIONS IN RELATION TO

- (1) THE PROVISION OF TECHNICAL CONSULTING AND
ADVISORY SERVICES, PROCUREMENT OF INVENTORIES AND
TESTING SERVICES OF N20 ENGINES WITH BBA AND
(2) PROCUREMENT OF RAW MATERIALS FROM HUACHEN**

**PROVISION OF TECHNICAL CONSULTING AND ADVISORY SERVICES,
PROCUREMENT OF INVENTORIES AND TESTING OF N20 ENGINES WITH BBA**

As described in the Prospectus, an engine assembly license agreement dated 12 December 2012, together with the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement, were entered into among BMW, BBA and us. Pursuant to these agreements, we will procure related engine parts and components from BBA and BBA will provide technical consulting and advisory services to us. At the time of Listing, the proposed collaboration between the parties was at a preliminary stage and we undertook in the Prospectus that we will comply with all the relevant requirements under Chapter 14A of the Listing Rules as and when appropriate, including disclosure and obtain prior Independent Shareholders' approval if the relevant percentage threshold has been exceeded.

We are currently in the final stages of testing for the N20 engines prior to the commencement of production of N20 engines. During the current testing stage, we will procure Inventories and testing services from BBA and engage BBA for technical consulting and advisory services in relation to the N20 engines.

The consideration for the procurement of Inventories and the provision of testing services for N20 engines from BBA in 2014 will be RMB5,330,158 (equivalent to approximately HK\$6,711,735) and the consideration for the engagement of BBA for technical consulting and advisory services in relation to the N20 engines assembly in 2014 will be RMB5,730,000 (equivalently to approximately HK\$7,215,216). The total transaction value will be RMB11,060,158 (equivalent to approximately HK\$13,926,951). As the percentage ratios in respect of the transactions contemplated under the Testing Procurement and Services are less than 5%, the transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from Independent Shareholders' approval requirement.

We expect to commence trial production of N20 engines in the second quarter of 2014 if the current stage of testing is successful and we will then enter into the BBA Framework Agreement. We shall comply with all the relevant requirements under Chapter 14A of the Listing Rules as and when appropriate, including but not limited to the reporting, announcement, annual review and Independent Shareholders' approval requirements.

PROCUREMENT OF RAW MATERIALS FOR CONNECTION RODS FROM HUACHEN

As described in our announcement dated 25 November 2013, we have bought the Production Lines from Huachen for E3 engines and connection rods production in the E2 Factory. Previously, Huachen procured raw materials from BBA for the production of connection rods and supplied the connection rods produced to BBA.

We are currently in the process of negotiating new arrangement with BBA for the procurement of raw materials for the production of connection rods and the sale of finished connection rods from us to BBA. Until such arrangement is in place, Huachen will buy raw materials from BBA and supply to us, and we will sell connection rods to Huachen who will on-sell to BBA. We expect that the new direct arrangement with BBA will be part of the BBA Framework Agreement.

The supply of connection rods from us to Huachen will be made pursuant to the sale framework agreement dated 25 February 2013, as described in the Prospectus, pursuant to which we agreed to sell engines and engine components to Huachen Group until 31 December 2015.

On 12 March 2014 (after trading hours), Huachen and Mianyang Xincheng entered into the Materials Procurement Agreement pursuant to which Mianyang Xincheng agreed to purchase and Huachen agreed to sell the connection rod roughcasts for the production of connection rods for the three months ending 31 May 2014 or until the BBA Framework Agreement is finalised (whichever is earlier).

The consideration for the connection rod roughcasts is estimated to be RMB12,987,000 (equivalent to approximately HK\$16,353,230) for the three months ending 31 May 2014. As the percentage ratios in respect of the transactions contemplated under the Materials Procurement Agreement are less than 5%, the transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from Independent Shareholders' approval requirement.

GENERAL

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 to be a connected person of the Company under Rule 14A.06 of the Listing Rules by the Stock Exchange. BBA is a connected person of the Company since it is an associate of Brilliance China, a controlling shareholder of the Company. Mianyang Xinchun, on the other hand is an indirect wholly-owned subsidiary of the Company.

As the percentage ratios in respect of the transactions contemplated under the Materials Procurement Agreement and Testing Procurement and Services are less than 5%, these transactions are subject to the reporting and announcement 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 Materials Procurement Agreement and Testing Procurement and Services 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.

PROVISION OF TECHNICAL CONSULTING AND ADVISORY SERVICES, PROCUREMENT OF INVENTORIES AND TESTING SERVICES OF N20 ENGINES WITH BBA

As described in the Prospectus, an engine assembly license agreement dated 12 December 2012, together with the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement, were entered into among BMW, BBA and us. Pursuant to these agreements, we will procure related engine parts and components from BBA and BBA will provide technical consulting and advisory services to us. At the time of Listing, the proposed collaboration between the parties was at a preliminary stage and we undertook in the Prospectus that we will comply with all the relevant requirements under Chapter 14A of the Listing Rules as and when appropriate, including disclosure and obtain prior Independent Shareholders' approval if the relevant percentage threshold has been exceeded.

We are currently in the final stages of testing for the N20 engines prior to the commencement of production of N20 engines. During the current testing stage, we will procure Inventories and testing services from BBA and engage BBA for technical consulting and advisory services in relation to the N20 engines.

The consideration for the procurement of Inventories and the provision of testing services for N20 engines from BBA in 2014 will be RMB5,330,158 (equivalent to approximately HK\$6,711,735) and the consideration for the engagement of BBA for technical consulting and advisory services in relation to the N20 engines assembly in 2014 will be RMB5,730,000 (equivalent to approximately HK\$7,215,216). The total transaction value will be RMB11,060,158 (equivalent to approximately HK\$13,926,951). The total consideration will be settled in cash. The consideration for the procurement of Inventories was based on the costs plus a reasonable margin, which was determined after arm's length negotiations between BBA and the Company and in accordance with the tax regulations requirements of the PRC. The consideration for the provision of testing services and technical consulting and advisory services was based on the anticipated amount of time spent on the testing services and technical consulting and advisory services.

As the percentage ratios in respect of the transactions contemplated under the Testing Procurement and Services are less than 5%, the transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from Independent Shareholders' approval requirement.

We expect to commence trial production of N20 engines in the second quarter of 2014 if the current stage of testing is successful and we will then enter into the BBA Framework Agreement. We shall comply with all the relevant requirements under Chapter 14A of the Listing Rules as and when appropriate, including but not limited to the reporting, announcement, annual review and Independent Shareholders' approval requirements.

PROCUREMENT OF RAW MATERIALS FOR CONNECTION RODS FROM HUACHEN

As described in our announcement dated 25 November 2013, we have bought the Production Lines from Huachen for E3 engines and connection rods production in the E2 Factory. Previously, Huachen procured raw materials from BBA for the production of connection rods and supplied the connection rods produced to BBA.

We are currently in the process of negotiating new arrangement with BBA for the procurement of raw materials for the production of connection rods and the sale of finished connection rods from us to BBA. Until such arrangement is in place, Huachen will buy raw materials from BBA and supply to us, and we will sell connection rods to Huachen who will on-sell to BBA. We expect that the new direct arrangement with BBA will be part of the BBA Framework Agreement.

The supply of connection rods from us to Huachen will be made pursuant to the sale framework agreement dated 25 February 2013, as described in the Prospectus, pursuant to which we agreed to sell engines and engine components to Huachen Group until 31 December 2015.

On 12 March 2014 (after trading hours), Huachen and Mianyang Xincheng entered into the Materials Procurement Agreement pursuant to which Mianyang Xincheng agreed to purchase and Huachen agreed to sell the connection rod roughcasts for the production of connection rods for the three months ending 31 May 2014 or until the BBA Framework Agreement is finalised (whichever is earlier).

The consideration for the connection rod roughcasts is estimated to be RMB12,987,000 (equivalent to approximately HK\$16,353,230) for the three months ending 31 May 2014. As the percentage ratios in respect of the transactions contemplated under the Materials Procurement Agreement are less than 5%, the transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from Independent Shareholders' approval requirement.

Materials Procurement Agreement

Parties

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

Term

The Materials Procurement Agreement takes effect from 12 March 2014 and expires on (and including) 31 May 2014 or until the BBA Framework Agreement is finalised (whichever is earlier). The term can be extended by the parties in writing.

Nature of Transactions

Pursuant to the Materials Procurement Agreement, Huachen has agreed to sell the connection rod roughcasts for the production of connection rods for the three months ending 31 May 2014 or until the BBA Framework Agreement is finalised (whichever is earlier).

Consideration

The consideration for the connection rod roughcasts is estimated to be in RMB12,987,000 (equivalent to approximately HK\$16,353,230). The total consideration will be settled by cash or offsetting the current account.

The consideration for the supply of connection rod roughcasts from Huachen to us is based on the amount of connection rod roughcasts that the Company will purchase and the price to be paid by Huachen to BBA plus an amount in respect of administrative costs to be charged by Huachen, which was determined after arm's length negotiations between Huachen and the Company. The price paid by Huachen to BBA was determined with reference primarily to the global procurement guidelines and assessments of BMW.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Testing Procurement and Services

The current testing arrangement with BBA is in place with the view to the commencement of production of N20 engines and the Company becoming a stable engine supplier to BBA. The Testing Procurement and Services are intended to ensure the Company is able to meet the stringent product technology and quality requirements of BBA. In addition, the Testing Procurement and Services provided by BBA also help to improve our management capabilities and levels. This will in turn enable the Company to improve its operation efficiency.

Materials Procurement Agreement for connection rod roughcasts

As mentioned in our announcement dated 25 November 2013, we have bought the Production Lines from Huachen for E3 engines and connection rods production in the E2 Factory in light of the Company's plans to expand into new markets by assembling the N20 engines with BBA. 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. Previously, Huachen procured raw materials from BBA for the production of connection rods and when Huachen finished with producing the connection rods, Huachen would sell the connection rods back to BBA. The Materials Procurement Agreement with Huachen is an interim arrangement pending finalisation of arrangements with BBA directly.

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 an executive director of Brilliance China and 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 Materials Procurement Agreement and Testing Procurement and Services and the transactions contemplated under the Materials Procurement Agreement and Testing Procurement and Services. 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 Materials Procurement Agreement and Testing Procurement and Services and the transactions contemplated under the Materials Procurement Agreement and Testing Procurement and Services. Accordingly, none of the other Directors, except for Mr. Wu Xiao An and Mr. Qi Yumin, was required to abstain from voting on the Board resolutions in relation to the Materials Procurement Agreement and Testing Procurement and Services and the transactions contemplated under the Materials Procurement Agreement and Testing Procurement and Services.

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 Materials Procurement Agreement and Testing Procurement and Services 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.

BBA is a sino-foreign equity joint venture company incorporated in the PRC and is owned as to 50% by Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China, and 50% by BMW Holding B.V. The principal activities of BBA include but not limited to manufacture and sale of BMW vehicles.

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 to be a connected person of the Company under Rule 14A.06 of the Listing Rules by the Stock Exchange. BBA is a connected person of the Company since it is an associate of Brilliance China, a controlling shareholder of the Company. Mianyang Xincheng, on the other hand is an indirect wholly-owned subsidiary of the Company.

As the percentage ratios in respect of the transactions contemplated under the Materials Procurement Agreement and Testing Procurement and Services are less than 5%, these transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from Independent Shareholders' approval requirement.

DEFINITIONS

“associates”	has the meaning ascribed thereto in the Listing Rules
“BBA”	BMW Brilliance Automotive Ltd. (華晨寶馬汽車有限公司*), a sino-foreign equity joint venture company incorporated in the PRC
“BBA Framework Agreement”	the long term agreement to be entered into between the Company and BBA for the purchase and supply of engine parts and components
“BMW”	Bayerische Motoren Werke Aktiengesellschaft
“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 of the Company
“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 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 located in No. 12, the 8 Road, Economic and Technological Development Zone, Shenyang, PRC
“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 Shareholder(s)”	Shareholder(s) other than Brilliance China and its associates
“Inventories”	engine parts and components and other related production materials to be purchased by the Group for testing of N20 engine production line
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“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 12 March 2014 entered into between Mianyang Xincheng and Huachen in relation to the procurement of connection rod roughcasts
“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
“N20 Engine Parts Supply Framework Agreement”	the N20 engine parts supply framework agreement dated 12 December 2012 entered into between Mianyang Xincheng and BBA in relation to the supply of N20 engine parts and components to Mianyang Xincheng for the assembly of N20 engines
“N20 Engine Technical Consulting and Advisory Service Framework Agreement”	the N20 engine technical consulting and advisory service framework agreement dated 12 December 2012 entered into between Mianyang Xincheng and BBA in relation to the technical consulting and advisory service to be provided by BBA to Mianyang Xincheng for the assembly of N20 engines
“Production Lines”	the E3 engine production lines and the connection rod production lines in the E2 Factory
“Prospectus”	the Company’s prospectus dated 28 February 2013
“PRC”	The People’s Republic of China
“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 Jinbei”	Shenyang Jinbei Automotive Industry Holdings Co., Ltd.* (瀋陽金杯汽車工業控股有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of Brilliance China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules

“Testing Procurement and Services”

procurement of Inventories from BBA, provision of testing services for N20 engines and engagement of BBA for technical consulting and advisory services in relation to the N20 engines assembly

“%”

per cent

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

Hong Kong, 12 March 2014

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\$1.2592. 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.

* *for identification purposes only*