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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
(1) THE SALE AND PURCHASE OF ENGINES, ENGINE PARTS
AND COMPONENTS AND RAW MATERIALS
AND
(2) THE PROVISION OF TECHNICAL CONSULTING
AND ADVISORY SERVICES**

Reference is made to the March Announcement, the Company's circular dated 31 December 2013, the Company's announcement dated 25 November 2013 and the Prospectus. As described, pursuant to the N20 Engine Assembly License Agreement entered into among BMW, BBA and Mianyang Xincheng and the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement both entered into between BBA and Mianyang Xincheng, Mianyang Xincheng is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW. As part of this N20 Supply Arrangement, Mianyang Xincheng will procure related engine parts and components from BBA and BBA will provide technical consulting and advisory services to Mianyang Xincheng. At the time of Listing, the proposed collaboration between the parties was at a preliminary stage. As described in the March Announcement, the Company was in the final stages of testing. It is expected that commercial production of the N20 engines will commence in the second half of this year.

Mianyang Xincheng has also acquired a connection rod production line from Huachen. Mianyang Xincheng will purchase connection rod roughcasts and related parts from BBA and sell the finished connection rods to BBA.

On 23 May 2014 (after trading hours), BBA, the Company and Mianyang Xincheng entered into the BBA Compliance Agreement to supplement the N20 Supply Arrangement and the Connection Rods Supply Arrangement and in anticipation of potential sale and purchase of engine parts and components and raw materials and/or provision of the related services. Pursuant to the BBA Compliance Agreement, the parties have agreed on certain principles for the following transactions:

1. the Group will sell to BBA or its subsidiaries and BBA or its subsidiaries will purchase from the Group engines, engine parts and components (including the connection rods) and raw materials for manufacturing engines and engine parts and components from time to time;
2. BBA or its subsidiaries will sell to the Group and the Group will purchase from BBA or its subsidiaries engine parts and components (including the connection rod roughcasts) and raw materials for manufacturing engines and engine parts and components from time to time; and
3. BBA or its subsidiaries will provide to the Group consulting and advisory services relating to engines or engine parts and components from time to time.

Immediately after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), the Materials Procurement Agreement between Huachen and Mianyang Xincheng as described in the March Announcement, will cease to have effect.

As at the date of this announcement, Brilliance China, a controlling shareholder of the Company, is indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company. Mianyang Xincheng, on the other hand is an indirect wholly-owned subsidiary of the Company. Accordingly, the transactions contemplated under the BBA Compliance 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 BBA Compliance Agreement are higher than 5% on an annual basis and each proposed annual cap exceeds HK\$10 million, the BBA Compliance Agreement and the proposed annual caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Subject to the recommendations of the Independent Financial Adviser, 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 BBA Compliance 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 BBA Compliance Agreement and the transactions and proposed annual caps contemplated thereunder. A circular containing, among other things, (i) further details of the BBA Compliance Agreement and the transactions and proposed annual caps 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.

KEY TERMS OF THE BBA COMPLIANCE AGREEMENT

Nature of the continuing connected transactions

On 23 May 2014 (after trading hours), BBA, the Company and Mianyang Xinchun entered into the BBA Compliance Agreement to supplement the N20 Supply Arrangement and the Connection Rods Supply Arrangement and in anticipation of potential sale and purchase of engine parts and components and raw materials and/or provision of the related services. Pursuant to the BBA Compliance Agreement, the parties have agreed on certain principles for the following transactions:

1. the Group will sell to BBA or its subsidiaries and BBA or its subsidiaries will purchase from the Group engines, engine parts and components (including the connection rods) and raw materials for manufacturing engines and engine parts and components from time to time;
2. BBA or its subsidiaries will sell to the Group and the Group will purchase from BBA or its subsidiaries engine parts and components (including the connection rod roughcasts) and raw materials for manufacturing engines and engine parts and components from time to time; and
3. BBA or its subsidiaries will provide to the Group consulting and advisory services relating to engines or engine parts and components from time to time.

Conditions precedent to the BBA Compliance Agreement

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

- (1) the BBA Compliance Agreement having been duly executed by the parties and affixed with the company chop or the company seal of each party; and
- (2) the BBA Compliance Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders.

The parties cannot waive any of the above Conditions. If the Conditions are not satisfied within six (6) months from the date of the BBA Compliance Agreement or by a later date as mutually agreed by the parties, the BBA Compliance Agreement will automatically terminate.

Term

Upon the satisfaction of the above Conditions, the BBA Compliance Agreement will be in effect for three (3) years from the effective date of the BBA Compliance Agreement (inclusive of the first day and the last day of the term) unless it is terminated before the expiration of the term by any party serving at least three (3) months' prior written notice to the other parties. Subject to compliance with the requirements of the Listing Rules (including the independent shareholders' approval requirement), upon the expiration of the initial three-year term, the BBA Compliance Agreement will be automatically renewed for successive periods of three (3) years.

Operational agreements and purchase orders

The parties may enter into separate operational agreements and purchase orders from time to time which contain particulars pertaining to the sale and purchase of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of related consulting and advisory services (including provisions relating to the price, quantity, quality and payment method). The terms of these operational agreements and purchase orders must be consistent with and subject to the terms of the BBA Compliance Agreement, on normal commercial terms and on an arm's length basis.

As all the operational agreements and purchase orders in relation to the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components from BBA to the Group will be subject to the global procurement guidelines of BMW which apply to its independent suppliers on a worldwide basis, the Directors believe that the terms of these operational agreements and purchase orders are on normal commercial terms and in the interests of the Company and of its Shareholders as a whole.

PROPOSED ANNUAL CAPS, PRICING POLICIES AND PAYMENT TERMS

Summary of the proposed annual caps

A summary of the proposed annual caps for the continuing connected transactions contemplated under the BBA Compliance Agreement for the three years ending 31 December 2016 is set out below:

Details of the relevant continuing connected transactions	Proposed annual caps		
	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
(1) Sale of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	RMB447,976,479 (equivalent to approximately HK\$553,698,928)	RMB1,247,388,395 (equivalent to approximately HK\$1,541,772,056)	RMB1,405,570,122 (equivalent to approximately HK\$1,737,284,671)
(2) Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	RMB518,326,709 (equivalent to approximately HK\$640,651,812)	RMB1,261,489,369 (equivalent to approximately HK\$1,559,200,860)	RMB1,321,661,349 (equivalent to approximately HK\$1,633,573,427)

Basis of the proposed annual caps

The above proposed annual caps are primarily based on the following:

1. the estimated volume of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components required by the Group, by BBA and its subsidiaries and by Shenyang Automotive with reference to the expected market demand for products of BBA and Shenyang Automotive;
2. the designed annual production capacity of the Group and the planned expansion in the production capacity of the Group to produce connection rods; and
3. the expected unit prices for the engines, engine parts and components (including the connection rods and the connection rod roughcasts) and raw materials for manufacturing the engines and engine parts and components.

The designed annual production capacities for producing N20 engines and connection rods are approximately 50,000 units and 800,000 units, respectively. The Group plans to expand the designed production capacity for producing connection rods based on the expected demand for connection rods. Based on the estimated demand for the Group's products, the Group estimates that the production capacity utilisation rates for producing N20 engines and connection rods (taking into account the planned production capacity expansion for producing connection rods) will be in the range of 70% to 100% during the period covered by the proposed annual caps. The reason the proposed annual cap for the year ending 31 December 2015 appears to have substantially increased is because the Group will only commence production of the N20 engines in the second half of 2014. Accordingly, the proposed annual cap for the year ending 31 December 2014 is not a whole year figure. In addition, as production stage is only just commencing, it will take some time from a ramp up to full production levels. As such, the Group estimates the utilisation rate of N20 engines production facilities will be relatively low in 2014, and is expected to reach the range discussed above in 2015 and 2016. Based on the discussion among the parties and subject to, among others, changes in market demand for the vehicles with the N20 engines installed, the estimated volume of mutual sales and purchases of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components is generally expected to increase with the production levels during the three years from 2014 to 2016, other than an expected decrease in the volume of connection rods in 2016. The expected unit prices of the N20 engines and the engine parts and components and raw materials for manufacturing the N20 engines and the connection rods will be relatively stable while the expected unit price of connection rods will gradually decrease from 2014 to 2016.

Historical transaction amounts

As the Group has not directly transacted with BBA previously, there are no historical transaction amounts in relation to the sale and purchase of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components and the provision of related services. However, as disclosed in the March Announcement, as an interim arrangement which will cease to have effect after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), Mianyang Xincheng has purchased from BBA (via Huachen) connection rod roughcasts and has sold finished connection rods to BBA (via Huachen) this year. The total amounts recognised by the Group in respect of such sales and purchases for the three months from February to April 2014 are approximately RMB2,419,000 (equivalent to approximately HK\$2,989,884), and approximately RMB7,013,000 (equivalent to approximately HK\$8,668,068), respectively.

Pricing policies

Under the N20 Supply Arrangement, Mianyang Xincheng is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW. Within the next three years, the Group expects to supply the N20 engines to Shenyang Automotive and BBA only. Shenyang Automotive, an indirect non wholly-owned subsidiary of Brilliance China, is authorized by BMW to use the N20 engines in its new premium MPV. In addition, under the Connection Rods Supply Arrangement, the Group will supply to BBA the finished connection rods and other engine parts and components to be used exclusively in the BMW engines.

In connection with the assembly of N20 engines, the Group will purchase exclusively from BBA raw materials and engine parts and components for manufacturing the products to be sold to BBA in order to ensure that the Group will be able to secure a stable and quality supply. BBA will purchase the engine parts and components and raw materials for manufacturing these engines and engine parts and components from its suppliers and then process (if necessary) and on-sell them to Mianyang Xincheng.

The Company adopts a cost plus pricing model in relation to the sales and purchases of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components. The prices for the mutual supplies and purchases between the Group and BBA are negotiated on a holistic and arm's length basis, taking into account each party's overall cost of production and anticipated reasonable profits. The prices for the mutual supplies and purchases will be determined with a view to allowing both parties to sustain a mutually beneficial and stable collaboration. The Group will purchase engine parts and components and raw materials for manufacturing engines and engine parts and components according to projected sales of the N20 engines and the connection rods. The Group will negotiate the prices of the engine parts and components and raw materials for manufacturing the N20 engines and the relevant engine parts and components with BBA based on the expected quantity and specifications of N20 engines and engine parts and components (including the connection rods) to be sold to BBA by the Group in the period. The project directors in charge of the Group's production lines for producing the relevant products and BBA's responsible personnel will communicate on a regular basis to discuss, among other things, the raw material and procurement costs of BBA from its suppliers and its production costs in processing any components before on-sale to the Group (if any), as well as the Group's production costs in assembling the N20 engines and producing connection rods. The Group will price the N20 engines and the engine parts and components (including the connection rods) to be sold to BBA by reference to the raw material costs provided by BBA, production costs to be incurred by the Group and its anticipated reasonable profits. The margin to be charged by the Group is expected to be comparable with the level of profits derived from the sale of gasoline engines to independent third parties in the latest financial year but it may vary depending on factors such as the expected quantity, quality and specifications of the products to be sold and purchased, market competition from other supplier(s) of BBA and strategic collaboration with BBA. In respect of the purchase prices of engine parts and components and raw materials for manufacturing engines and engine parts and components, the Group will assess the reasonableness of the purchase prices of engine parts and components for assembling N20 engines as a proportion of the total production costs, which is expected to be comparable to the historical production costs structure of engines sold by the Group (including engines sold to independent third parties) in the latest financial year. In respect of the assessment of the reasonableness of the purchase prices of connection rod roughcasts and related parts, the Group will make reference to, among others, the market prices of similar products produced in the PRC, the difference in the production costs incurred by PRC and overseas suppliers, the quality and specification of connection rod roughcasts and related parts to be procured from BBA, the transportation costs and other related transaction costs on an annual basis.

After the Group's project directors obtain the purchase price quotations from BBA, based on the price assessment mechanism discussed above, they will work out the proposed purchase prices and sale prices to be reviewed by the Group's Chief Financial Officer and acknowledged by the Group's Chief Executive Officer. Mianyang Xincheng will then negotiate and determine the final sale prices and purchase prices with BBA on an arm's length basis. As the mutual sales and purchases are negotiated on a holistic basis, both the final sale prices and the purchase prices will be determined at the same time. We generally set the purchase prices of raw materials and sale prices of our products at the beginning of the year and these prices will usually apply throughout the year. Should there be any changes in the costs of production, among others, purchase prices, Mianyang Xincheng will renegotiate the sale prices of the products to be sold to BBA on an arm's length basis.

As the N20 engines employ advance technologies and both the N20 engines and the engine parts and components to be supplied by Mianyang Xincheng to BBA are used exclusively in vehicles approved by BMW, there are very few comparables of these engines and engine parts and components in the PRC and the prices of these comparables are not readily available. Accordingly, Mianyang Xincheng is not in a position to compare the prices of these engines, their parts and components (including the connection rods) and the raw materials for manufacturing the engines and their parts and components against the prevailing market prices in the PRC directly. Also, as the Group will only sell the N20 engines and other engine parts and components (including the connection rods) to BBA and/or Shenyang Automotive which are both connected persons of the Company, prices of comparable products sold to independent third parties are unavailable. The N20 engines will be supplied by the Group to BBA and Shenyang Automotive at similar prices.

The consulting and advisory service fee to be charged by BBA, on the other hand, will be primarily determined with reference to the daily chargeable rates of the technical staff involved as set out in the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the time spent on the provision of the technical consulting and advisory services.

The Directors consider the above pricing mechanism to be in line with the general market practice and the proposed transactions with BBA to be on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Payment terms

BBA shall issue an invoice within the first 10 days of each month for the engine parts and components delivered during the previous month, and then payment shall be made by Mianyang Xincheng within 45 days after receiving the invoice. With respect to the provision of technical consulting and advisory services, BBA shall issue a quarterly invoice to Mianyang Xincheng based on a list specifying the working time and the related costs, and then payment shall be made by Mianyang Xincheng within 45 days after receiving the invoice.

Mianyang Xincheng shall issue an invoice within the first 10 days of each month for the engines, engine parts and components delivered during the previous month. BBA shall make the payment within 45 days calculated from the 25th day of the month when it receives the invoice from Mianyang Xincheng.

Also, Mianyang Xincheng is allowed to settle the purchase cost of raw materials and engines parts and components payable to BBA by setting off the corresponding amount receivable from the sale of connection rods and N20 engines under the N20 Engine Parts Supply Framework Agreement.

Prospective transactions with Shenyang Automotive

As described in the Prospectus, on 25 February 2013, Mianyang Xincheng entered into a sale framework agreement with Brilliance China pursuant to which the Group agreed to sell engines and engine parts and components to the Brilliance China Group for an initial period commencing from the date of Listing until 31 December 2015. As Shenyang Automotive is an indirect non wholly-owned subsidiary of Brilliance China (and thus an associate of Brilliance China and a connected person of the Company), the supply of N20 engines from the Group to Shenyang Automotive will constitute continuing connected transactions under the Listing Rules and will be governed by the terms of that sale framework agreement. A further announcement will be published in due course when Shenyang Automotive and the Group enter into an operational agreement which sets out the particulars of the transactions (such as the price, quantity and payment method).

REASONS FOR AND BENEFITS OF ENTERING INTO THE BBA COMPLIANCE AGREEMENT

Reference is made to the March Announcement, the Company's circular dated 31 December 2013, the Company's announcement dated 25 November 2013 and the Prospectus. As described, pursuant to the N20 Engine Assembly License Agreement entered into among BMW, BBA and Mianyang Xincheng and the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement both entered into between BBA and Mianyang Xincheng, Mianyang Xincheng is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW. As part of this N20 Supply Arrangement, Mianyang Xincheng will procure related engine parts and components from BBA and BBA will provide technical consulting and advisory services to Mianyang Xincheng. At the time of Listing, the proposed collaboration between the parties was at a preliminary stage. As described in the March Announcement, the Company was in the final stages of testing. It is expected that commercial production of the N20 engines will commence in the second half of this year.

Mianyang Xincheng has also acquired a connection rod production line from Huachen. Mianyang Xincheng will purchase connection rod roughcasts and related parts from BBA and sell the finished connection rods to BBA.

Therefore, BBA, the Company and Mianyang Xincheng entered into the BBA Compliance Agreement to supplement the N20 Supply Arrangement and the Connection Rods Supply Arrangement and in anticipation of potential sale and purchase of engine parts and components and raw materials and/or provision of the related services. Immediately after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), the Materials Procurement Agreement between Huachen and Mianyang Xincheng as described in the March Announcement, will cease to have effect.

As BMW Holding B.V., a member of BMW Group which is a global leading automobile manufacturer, is a joint venture partner of Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China and the market demand of BMW vehicles is growing rapidly, a stable collaboration between Mianyang Xincheng and BBA would help the Company to diversify its revenue stream and improve its management capabilities and levels. The sale of finished connection rods and other engine parts and components to BBA would also help the Company enter into a new market of engine parts and components and broaden its revenue stream.

Mr. Wu Xiao An, an executive Director, is also the chairman and an executive director of Brilliance China. Mr. Qi Yumin, a non-executive Director, is also a director of Brilliance China and the chairman and president of Huachen (which is a controlling shareholder of Brilliance China and a deemed connected person of the Company under Rule 14.06 of the Listing Rules). As Brilliance China is indirectly interested in 50% of the issued share capital of BBA, BBA is an associate of Brilliance China. 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 BBA Compliance 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 transactions contemplated under the BBA Compliance Agreement. 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 transactions contemplated under the BBA Compliance Agreement.

Subject to the recommendations of the Independent Financial Adviser, 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 BBA Compliance 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; development, manufacture and sale of light-duty gasoline and diesel engines and manufacture of engine parts and components of the passenger vehicles.

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 are not limited to manufacture and sale of BMW vehicles.

LISTING RULES REQUIREMENTS

As at the date of this announcement, Brilliance China, a controlling shareholder of the Company, is indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company. Mianyang Xinchun, on the other hand is an indirect wholly-owned subsidiary of the Company. Accordingly, the transactions contemplated under the BBA Compliance 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 BBA Compliance Agreement are higher than 5% on an annual basis and each proposed annual cap exceeds HK\$10 million, the BBA Compliance Agreement and the proposed annual caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of 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 Independent Shareholders as to whether the terms of the BBA Compliance Agreement are fair and reasonable and whether the transactions contemplated thereunder are in the interests 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 BBA Compliance Agreement are fair and reasonable and whether the transactions contemplated thereunder are in the interests 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 BBA Compliance Agreement and the transactions and proposed annual caps contemplated thereunder. A circular containing, among other things, (i) further details of the BBA Compliance Agreement and the transactions and proposed annual caps 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.

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 which is owned as to 50% by Shenyang Jinbei (an indirect wholly-owned subsidiary of Brilliance China) and 50% by BMW Holdings B.V.

“BBA Compliance Agreement”	the compliance agreement dated 23 May 2014 entered into between BBA, the Company and Mianyang Xinchun in relation to the sale and purchase of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of related services
“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 a controlling shareholder of the Company
“Brilliance China Group”	Brilliance China and its subsidiaries
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Xinchun 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
“Conditions”	the conditions precedent to the effectiveness of the BBA Compliance Agreement as set out in Clause 3.1 of the BBA Compliance Agreement
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Connection Rods Supply Arrangement”	the arrangement between BBA and Mianyang Xinchun in relation to the supply of connection rods
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Directors”	director(s) of the Company
“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
“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 transactions contemplated under the BBA Compliance Agreement
“Independent Shareholders”	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
“March Announcement”	the announcement issued by the Company on 12 March 2014 in relation to the provision of technical consulting and advisory services, the procurement of Inventories of N20 engines with BBA and the Materials Procurement Agreement, among other matters
“Materials Procurement Agreement”	the materials procurement agreement dated 12 March 2014 entered into between Mianyang Xinchun and Huachen in relation to the procurement of connection rod roughcasts and related parts
“Mianyang Xinchun”	Mianyang Xinchun Engine Co., Ltd.* (綿陽新晨動力機械有限公司) (including its branches), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“N20 Engine Assembly License Agreement”	the N20 engine assembly license agreement dated 12 December 2012 entered into among BMW, BBA and Mianyang Xinchun, in relation to the granting of license for the assembly of N20 engines, among other matters
“N20 Engine Parts Supply Framework Agreement”	the N20 engine parts supply framework agreement dated 12 December 2012 entered into between BBA and Mianyang Xinchun in relation to the supply of N20 engine parts and components to Mianyang Xinchun 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 BBA and Mianyang Xinchun in relation to the technical consulting and advisory service to be provided by BBA to Mianyang Xinchun for the assembly of N20 engines
“N20 Supply Arrangement”	the arrangement among BMW, BBA and Mianyang Xinchun in relation to the assembly of N20 engines and the provision of related engine parts and components and services
“PRC”	The People’s Republic of China
“Prospectus”	the Company’s prospectus dated 28 February 2013
“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 Automotive”	Shenyang Brilliance Jinbei Automobile Co., Ltd.* (瀋陽華晨金杯汽車有限公司), a company established in the PRC, and an indirect non wholly-owned subsidiary of Brilliance China
“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

“%” per cent

* *for identification purposes only*

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

Hong Kong, 23 May 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\$1.236. 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.