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POWER XINCHEN

新 晨 動 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 WITH HUACHEN
IN RESPECT OF THE PROCUREMENT OF
REMAINING MATERIALS FOR E3 ENGINES**

Reference is made to the Company's announcements dated 25 November 2013 and 12 March 2014 and the Company's circular dated 31 December 2013. As described, Mianyang Xincheng acquired an E3 engines and a connection rod production lines and certain inventories in the E2 Factory from Huachen in January 2014 (the "**January Acquisition**"). As part of the January Acquisition, Mianyang Xincheng acquired some raw materials from Huachen for the production of E3 engines. Huachen continues to hold certain materials, tools, equipments and repair parts and products for use in the production of E3 engines ("**Remaining Materials**") which it no longer needs. The value of the Remaining Materials is approximately RMB19,700,275 (equivalent to approximately HK\$25,064,660). Mianyang Xincheng is currently acquiring the Remaining Materials from Huachen in stages, based on its production needs.

On 18 November 2014 (after trading hours), Mianyang Xincheng entered into a procurement agreement with Huachen in connection with the purchase of the Remaining Materials at a total proposed consideration of approximately RMB19,897,278 (equivalent to approximately HK\$25,315,307) (the "**Procurement Agreement**") for the period from the date of the Procurement Agreement to 31 December 2015.

The proposed annual caps of the continuing connected transactions contemplated under the Procurement Agreement for each of the two financial years ending 31 December 2014 and 2015 are approximately RMB13,320,446 (equivalent to approximately HK\$16,947,603) and approximately RMB6,576,832 (equivalent to approximately HK\$8,367,703), respectively.

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. Mianyang Xincheng, on the other hand, is an indirect wholly-owned subsidiary of the Company.

As the percentage ratios in respect of the proposed annual caps of the transactions contemplated under the Procurement 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 on the Board resolutions) are of the view that the transactions contemplated under the Procurement 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.

Reference is made to the Company's announcements dated 25 November 2013 and 12 March 2014 and the Company's circular dated 31 December 2013. As described, Mianyang Xincheng acquired an E3 engines and a connection rod production lines and certain inventories in the E2 Factory from Huachen in January 2014 (the "**January Acquisition**"). As part of the January Acquisition, Mianyang Xincheng acquired some raw materials from Huachen for the production of E3 engines. Huachen continues to hold certain materials, tools, equipments and repair parts and products for use in the production of E3 engines ("**Remaining Materials**") which it no longer needs. The value of the Remaining Materials is approximately RMB19,700,275 (equivalent to approximately HK\$25,064,660). Mianyang Xincheng is currently acquiring the Remaining Materials from Huachen in stages, based on its production needs.

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Parties to the agreement: Huachen and Mianyang Xincheng

Agreement date: 18 November 2014

Procurement period: 18 November 2014 to 31 December 2015

Key terms:

Mianyang Xincheng agrees to purchase the Remaining Materials from Huachen. Mianyang Xincheng will acquire the Remaining Materials in accordance with its production needs. On the 10th day of each month, based on the actual usage in the previous month and the unit price as stated in the Procurement Agreement plus 1% management fee, Huachen will issue an invoice to Mianyang Xincheng. Mianyang Xincheng will then pay by bank acceptance notes or the total consideration will be settled by offsetting the current account by 90 days after billing.

The proposed annual caps of the continuing connected transactions contemplated under the Procurement Agreement for each of the two financial years ending 31 December 2014 and 2015 are approximately RMB13,320,446 (equivalent to approximately HK\$16,947,603) and approximately RMB6,576,832 (equivalent to approximately HK\$8,367,703), respectively.

In determining the proposed annual caps, the Board has taken into account the following:

- (i) actual costs originally paid by Huachen for the Remaining Materials which is approximately RMB19,700,275 (equivalent to approximately HK\$25,064,660);
- (ii) the estimated number of units of Remaining Materials which will be procured from Huachen based on the E3 engines production needs of Mianyang Xincheng at the E2 factory; and
- (iii) the 1% management fee.

Pricing has been agreed upon between Huachen and Mianyang Xincheng through arm's length negotiations.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCUREMENT AGREEMENT

Reference is made to the Company's announcements dated 25 November 2013 and 12 March 2014 and the Company's circular dated 31 December 2013. The entering into the Procurement Agreement will enable Mianyang Xincheng to utilise the Remaining Materials located in the E2 Factory. Given that Mianyang Xincheng purchases the Remaining Materials based on its actual use, Mianyang Xincheng will be able to save storage related costs incurred. In addition, Mianyang Xincheng will benefit from saving time and costs incurred for procuring the relevant materials from other third party suppliers.

VIEW OF THE DIRECTORS

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 14A.06 of the Listing Rules by the Stock Exchange). Accordingly, Mr. Wu Xiao An and Mr. Qi Yumin had abstained from voting on the Board resolutions in respect of the transactions contemplated under the Procurement 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 Procurement 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 Procurement Agreement.

The Directors (including the independent non-executive Directors except for Mr. Wu Xiao An and Mr. Qi Yumin who had abstained from voting on the Board resolutions) are of the view that the transactions contemplated under the Procurement 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.

Huachen is a state-owned 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 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.

As the percentage ratios in respect of the proposed annual caps of the transactions contemplated under the Procurement 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

“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 a controlling shareholder of the Company
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“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 Shareholders”	Shareholder(s) other than Brilliance China and its associates
“January Acquisition”	the acquisition of an E3 engines and a connection rod production lines and certain inventories in the E2 Factory by Mianyang Xinchen from Huachen to complement the Group’s business in January 2014

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mianyang Xincheng”	Mianyang Xincheng Engine Co., Ltd.* (綿陽新晨動力機械有限公司) (including its branches), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Procurement Agreement”	the procurement agreement entered into between Mianyang Xincheng and Huachen in connection with the purchase of the Remaining Materials at a consideration of approximately RMB19,897,278 (equivalent to approximately HK\$25,315,307) dated 18 November 2014
“Remaining Materials”	the remaining portion of the materials, tools, equipments and repair parts and products for the production of E3 engines
“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
“%”	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, 18 November 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\$1.2723. 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. Tang Qiao; and four independent non-executive directors, Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.