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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
IN RESPECT OF THE MANAGEMENT ENTRUSTMENT AGREEMENT
WITH HUACHEN**

The Board would like to announce that on 27 June 2014 (after trading hours), Huachen and Mianyang Xincheng entered into the Management Entrustment Agreement pursuant to which Mianyang Xincheng agreed to be responsible for the management of an engine production line at the E2 Factory (the “**Production Line**”), including but not limited to the production, maintenance and operation of the Production Line.

The entrustment period will commence on 27 June 2014 and terminate on 31 December 2016 (the “**Entrustment Period**”). During the Entrustment Period, Huachen will pay Mianyang Xincheng a processing fee and a custodian fee of RMB2,787.00 (equivalent to approximately HK\$3,451.70) for each engine, which are settled monthly either by Huachen paying Mianyang Xincheng within 90 days after each monthly settlement or by setting off any amounts due to Huachen or its subsidiaries from Mianyang Xincheng.

The proposed annual caps of the continuing connected transactions contemplated under the Management Entrustment Agreement for each of the three financial years ending 31 December 2014, 2015 and 2016 are RMB9,197,100.00 (equivalent to approximately HK\$11,390,608.35), RMB10,729,950.00 (equivalent to approximately HK\$13,289,043.08) and RMB12,262,800.00 (equivalent to approximately HK\$15,187,477.80), respectively.

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 approximately 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 Management Entrustment 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 Management Entrustment 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 Management Entrustment 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.

THE MANAGEMENT ENTRUSTMENT AGREEMENT

The Board would like to announce that on 27 June 2014 (after trading hours), Huachen and Mianyang Xincheng entered into the Management Entrustment Agreement pursuant to which Mianyang Xincheng agreed to be responsible for the management of an engine production line at the E2 Factory, including but not limited to the production, maintenance and operation of the Production Line.

Parties to the agreement: Huachen and Mianyang Xincheng

Agreement date: 27 June 2014

Entrustment Period: 27 June 2014 to 31 December 2016

Key terms:

Mianyang Xincheng agreed to be responsible for the management of the Production Line, including but not limited to the production, maintenance and operation of the Production Line.

The Entrustment Period is from 27 June 2014 to 31 December 2016. Huachen may give notification to Mianyang Xincheng three months prior to the termination date for the renewal of the entrustment arrangement. The parties shall then enter into a new entrustment agreement.

During the Entrustment Period, Huachen will pay Mianyang Xincheng a processing fee and a custodian fee of RMB2,787.00 (equivalent to approximately HK\$3,451.70) for each engine, which are settled monthly either by Huachen paying Mianyang Xincheng within 90 days after each monthly settlement or by setting off any amounts due to Huachen or its subsidiaries from Mianyang Xincheng.

The processing fee is in relation to any indirect expenses incurred during the course of production. Any direct expenses incurred during the course of production shall be solely borne by Huachen. Indirect expenses consist of, but not limited to, any labor cost incurred (i) during the course of production, (ii) during the course of management and (iii) from sales, and any costs related to any indirect supplementary material consumption and indirect low-value consumables incurred during the course of production. Direct expenses consist of, but not limited to, any costs related to any direct material consumption, and any other direct expenses incurred during the course of production, including depreciation of assets and costs related to materials exclusively used for maintenance of the Production Line and specific amortisation expenses.

The proposed annual caps of the continuing connected transactions contemplated under the Management Entrustment Agreement for each of the three financial years ending 31 December 2014, 2015 and 2016 are RMB9,197,100.00 (equivalent to approximately HK\$11,390,608.35), RMB10,729,950.00 (equivalent to approximately HK\$13,289,043.08) and RMB12,262,800.00 (equivalent to approximately HK\$15,187,477.80), respectively.

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

- (i) the processing and custodian fee of RMB2,787.00 (equivalent to approximately HK\$3,451.70) for each engine which is determined based on the costs incurred in producing each engine and management fee to be charged for the management of the production line;
- (ii) the estimated number of engines which will be entrusted to Mianyang Xincheng by Huachen during the Entrustment Period; and
- (iii) the 10% buffer to cater for the unforeseeable changes in, among others, the demand of engines and costs to be incurred by the Group.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE MANAGEMENT ENTRUSTMENT AGREEMENT

Reference is made to the Company's announcements dated 25 November 2013 and 24 June 2014 and the Company's circular dated 31 December 2013. As described, the Group has acquired from Huachen the E3 engine production lines and the connection rod production lines in the E2 Factory. The management entrustment arrangement will (i) broaden the Group's revenue source, (ii) share the Group's labour costs incurred in operating the production lines located in the E2 Factory, (iii) increase the Group's operation efficiency and (iv) strengthen the Group's existing business relationship with Huachen.

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 at the Board resolutions in respect of the transactions contemplated under the Management Entrustment 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 Management Entrustment 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 Management Entrustment 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 Management Entrustment 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 approximately 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 Management Entrustment 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 Management Entrustment 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
“Entrustment Period”	27 June 2014 to 31 December 2016
“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 Shareholders”	Shareholder(s) other than Brilliance China and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Entrustment Agreement”	an entrustment agreement entered into between Huachen and Mianyang Xincheng, pursuant to which Mianyang Xincheng agreed to be responsible for the management of the Production Line, including but not limited to the production, maintenance and operation of the Production Line
“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)
“Production Line”	an engine production line owned by Huachen, which is located at the E2 Factory
“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, 27 June 2014

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.2385. 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 or 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.