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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)**

**CONNECTED TRANSACTIONS WITH HUACHEN  
IN RESPECT OF THE ACQUISITION OF  
A CONNECTION ROD PRODUCTION LINE**

Reference is made to the Company's announcement dated 25 November 2013 and the Company's circular dated 31 December 2013. As described, the Group planned to expand into new markets of engine parts and components by supplying connection rods to BBA, Mianyang Xincheng has acquired a connection rod production line in the E2 Factory from Huachen to complement the Group's business (the "**January Acquisition**").

On 24 June 2014 (after trading hours), Mianyang Xincheng entered into the following agreements with various parties in connection with the acquisition of a further connection rod production line from Huachen which is also located in the E2 Factory:

**1) THE SUPPLEMENTAL SALES AND INSTALLATION AGREEMENT**

On 19 January 2013, Huachen entered into a sales and installation agreement with Alfing for the manufacturing, delivery and installation of additional connection rod production line for N20 engines (the "**Production Line**") and the provision of insurance and training in relation to the connection rod production line for N20 engines (the "**Original Sales and Installment Agreement**"), with the total contract value of RMB149,505,221.95 (equivalent to approximately HK\$185,162,217.39). The Production Line is currently in the final stages of installation. The Original Sales and Installment Agreement also included the installation for a consideration of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) of certain machinery and equipment in relation to the connection rod production line previously sold to Mianyang Xincheng in the January Acquisition.

On 24 June 2014 (after trading hours), Alfing, Huachen and Mianyang Xincheng entered into the supplementary agreement, for the purpose of assigning and transferring the interests and rights of Huachen under the Original Sales and Installment Agreement to Mianyang Xincheng and to amend, vary and modify the Original Sales and Installment Agreement (the “**Supplemental Sales and Installment Agreement**”). Ownership of the installed production line will be assumed by Mianyang Xincheng and Mianyang Xincheng will pay Huachen RMB114,322,654.41 (equivalent to approximately HK\$141,588,607.49), being the actual amount paid or payable by Huachen to Alfing pursuant to the Original Sales and Installment Agreement, less the amount of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) which was previously paid by Mianyang Xincheng to Huachen for the purchase of certain machinery and equipment in January 2014 as part of the January Acquisition. The payment arrangement is further stipulated in the Payment Transfer Agreement.

## **2) PAYMENT TRANSFER AGREEMENT**

On 24 June 2014 (after trading hours), Huachen and Mianyang Xincheng entered into a payment transfer agreement (the “**Payment Transfer Agreement**”), for the purpose of stipulating the parties’ payment obligation under the Supplemental Sales and Installment Agreement. Huachen agrees to continue to pay the outstanding amount of the total contract value to Alfing and Mianyang Xincheng agrees to fully repay to Huachen the amount of RMB114,322,654.41 (equivalent to approximately HK\$141,588,607.49), being the actual amount paid or payable by Huachen to Alfing pursuant to the Original Sales and Installment Agreement, less the amount of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) which was previously paid by Mianyang Xincheng to Huachen for the purchase of certain machinery and equipment in January 2014 as part of the January Acquisition.

Mianyang Xincheng also agrees to fully repay Huachen other miscellaneous payments totaling RMB47,493,291.66 (equivalent to approximately HK\$58,820,441.72) paid or payable by Huachen as a result of performing its rights and obligations under the Original Sales and Installment Agreement.

The total consideration to be repaid by Mianyang Xincheng to Huachen under the Payment Transfer Agreement is RMB161,815,946.07 (equivalent to approximately HK\$200,409,049.21).

## **3) ASSETS TRANSFER AGREEMENT**

On 24 June 2014 (after trading hours), Huachen and Mianyang Xincheng entered into an assets transfer agreement pursuant to which Huachen has agreed to transfer the Assets, being machinery and equipment for use in connection with the Production Line and other related assets, to Mianyang Xincheng at a consideration of RMB3,561,346.28 (equivalent to approximately HK\$4,410,727.37). The consideration was determined based on the actual costs originally paid or payable by Huachen.

## **PAYMENT OF CONSIDERATION UNDER THE AGREEMENTS**

The consideration for the Supplemental Sales and Installment Agreement, the Payment Transfer Agreement and the Assets Transfer Agreement will be settled by setting off accounts receivables due from Huachen.

### **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 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. As the percentage ratios in respect of the transactions contemplated under the Agreements 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 on the Board resolutions) are of the view that the transactions contemplated under the Agreements 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 announcement dated 25 November 2013 and the Company's circular dated 31 December 2013. As described, the Group planned to expand into new markets of engine parts and components by supplying connection rods to BBA, Mianyang Xincheng has acquired a connection rod production line in the E2 Factory from Huachen to complement the Group's business (the "**January Acquisition**").

On 24 June 2014 (after trading hours), Mianyang Xincheng entered into the following agreements with various parties in connection with the acquisition of a further connection rod production line from Huachen which is also located in the E2 Factory:

### **THE SUPPLEMENTAL SALES AND INSTALLMENT AGREEMENT**

On 19 January 2013, Huachen entered into a sales and installation agreement with Alfin for the manufacturing, delivery and installation of additional connection rod production line for N20 engines and the provision of insurance and training in relation to the connection rod production line for N20 engines (the "**Original Sales and Installment Agreement**"), with the total contract value of RMB149,505,221.95 (equivalent to approximately HK\$185,162,217.39). The Production Line is currently in the final stages of installation. The Original Sales and Installment Agreement also included the installation for a consideration of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) of certain machinery and equipment in relation to the connection rod production line previously sold to Mianyang Xincheng in the January Acquisition.

On 24 June 2014 (after trading hours), Alfing, Huachen and Mianyang Xincheng entered into the supplementary agreement, for the purpose of assigning and transferring the interests and rights of Huachen under the Original Sales and Installment Agreement to Mianyang Xincheng and to amend, vary and modify the Original Sales and Installment Agreement (the “**Supplemental Sales and Installment Agreement**”). Ownership of the installed production line will be assumed by Mianyang Xincheng and Mianyang Xincheng will pay Huachen RMB114,322,654.41 (equivalent to approximately HK\$141,588,607.49) being the actual amount paid or payable by Huachen to Alfing pursuant to the Original Sales and Installation Agreement, less the amount of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) which was previously paid by Mianyang Xincheng to Huachen for the purchase of certain machinery and equipment in January 2014 as part of the January Acquisition. The payment arrangement is further stipulated in the Payment Transfer Agreement.

**Parties to the agreement:** Huachen, Alfing and Mianyang Xincheng

**Agreement date:** 24 June 2014

**Key terms:**

Under the Supplemental Sales and Installment Agreement, Mianyang Xincheng agrees to assume the rights and obligations (other than the payment of consideration to Alfing) of Huachen under the Original Sales and Installment Agreement. Alfing agrees to and accept the liabilities of Huachen under the Original Sales and Installment Agreement being assumed by Mianyang Xincheng and agrees to perform its obligations to Mianyang Xincheng according to the Original Sales and Installment Agreement, including but not limited to the technical and quality requirements, quality guarantee, inspection and acceptance related to the additional connection rod production line for N20 engines (the “**Contract Goods**”).

The Contract Goods delivered by Alfing to Huachen under the Original Sales and Installment Agreement will be delivered to Mianyang Xincheng and Huachen agrees that the ownership rights of the Contract Goods will be passed to Mianyang Xincheng.

Huachen agrees to continue to pay the outstanding amount of the total contract value to Alfing and Mianyang Xincheng agrees to fully repay to Huachen the amount of RMB114,322,654.41 (equivalent to approximately HK\$141,588,607.49), being the actual amount paid or payable by Huachen to Alfing pursuant to the Original Sales and Installment Agreement, less the amount of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) which was previously paid by Mianyang Xincheng to Huachen for the purchase of certain machinery and equipment in January 2014 as part of the January Acquisition. The payment arrangement is further stipulated in the Payment Transfer Agreement as detailed below.

## **PAYMENT TRANSFER AGREEMENT**

On 24 June 2014 (after trading hours), Huachen and Mianyang Xincheng entered into the Payment Transfer Agreement, for the purpose of stipulating the parties' payment obligation under the Supplemental Sales and Installment Agreement and for the payment of other miscellaneous payments paid or payable by Huachen as a result of performing its rights and obligations under the Original Sales and Installment Agreement.

**Parties to the agreement:** Huachen and Mianyang Xincheng

**Agreement date:** 24 June 2014

### **Key terms:**

Huachen agrees to continue to pay the outstanding amount of the total contract value to Alfing and Mianyang Xincheng agrees to fully repay to Huachen the amount of RMB114,322,654.41 (equivalent to approximately HK\$141,588,607.49), being the actual amount paid or payable by Huachen to Alfing pursuant to the Original Sales and Installment Agreement, less the amount of RMB35,182,567.54 (equivalent to approximately HK\$43,573,609.90) which was previously paid by Mianyang Xincheng to Huachen for the purchase of certain machinery and equipment in January 2014 as part of the January Acquisition.

Mianyang Xincheng also agrees to fully repay Huachen other miscellaneous payments totaling RMB47,493,291.66 (equivalent to approximately HK\$58,820,441.72) paid or payable by Huachen as a result of performing its rights and obligations under the Original Sales and Installment Agreement. The miscellaneous payments include but are not limited to customs clearance fees, cost of capital, installation charges, inspection fees, commissioning fees, travel expenses of procurement inspection personnel.

The total consideration to be repaid by Mianyang Xincheng to Huachen under the Payment Transfer Agreement is RMB161,815,946.07 (equivalent to approximately HK\$200,409,049.21).

## **ASSETS TRANSFER AGREEMENT**

On 24 June 2014 (after trading hours), Huachen and Mianyang Xincheng entered into an assets transfer agreement pursuant to which Huachen has agreed to transfer the Assets to Mianyang Xincheng at a consideration of RMB3,561,346.28 (equivalent to approximately HK\$4,410,727.37), being the actual cost originally paid or payable by Huachen.

**Parties to the agreement:** Huachen as the vendor and Mianyang Xincheng as the purchaser

**Agreement date:** 24 June 2014

### **Key terms:**

Huachen has agreed to transfer, and Mianyang Xincheng has agreed to acquire, certain machinery and equipment that Huachen has acquired for use in connection with the Production Line and other related assets. The transfer of the Assets will be completed within 5 business days of the effective date of this agreement.

The total consideration is RMB3,561,346.28 (equivalent to approximately HK\$4,410,727.37), being the actual cost originally paid or payable by Huachen. The consideration was determined based on the actual costs originally paid or payable by Huachen. The book value of the Assets is the same as the consideration.

This agreement will be effective upon the signing and sealing by both parties.

## **PAYMENT OF CONSIDERATION UNDER THE AGREEMENTS**

The consideration for the Supplemental Sales and Installment Agreement, the Payment Transfer Agreement and the Assets Transfer Agreement will be settled by setting off accounts receivables due from Huachen.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

Reference is made to the Company's announcement dated 25 November 2013 and the Company's circular dated 31 December 2013. As described, the Group planned to expand into new markets of engine parts and components by supplying connection rods to BBA, Mianyang Xincheng has acquired a connection rod production line in the E2 Factory from Huachen to complement the Group's business.

In response to the growing demand for the connection rods, the Company intends to expand its production capacity of connection rods by way of acquiring the additional production line which is being installed in the E2 Factory from 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 on the Board resolutions in respect of the transactions contemplated under the Agreements. 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 Agreements. 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 Agreements.

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 Agreements 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.

Alfing is principally engaged in the development and manufacture of specialised machinery and machining centres.

## 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.

As the percentage ratios in respect of the transactions contemplated under the Agreements 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

“Alfing”	Alfing Kessler Sondermaschinen GmbH
“Agreements”	the Supplemental Sales and Installation Agreement, the Payment Transfer Agreement and the Assets Transfer Agreement
“Assets”	certain machinery and equipment and other related assets that Huachen has invested for use in connection with the Production Line
“Assets Transfer Agreement”	an assets transfer agreement entered into between Huachen and Mianyang Xinchun for the transfer of the Assets dated 24 June 2014
“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 Automotive Industry Holdings Co., Ltd* ( 瀋陽金杯汽車工業控股有限公司 ) (an indirect wholly-owned subsidiary of Brilliance China) and 50% by BMW Holdings B.V.
“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, the 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

“Independent Shareholders”	Shareholder(s) other than Brilliance China and its associates
“January Acquisition”	the acquisition of a connection rod production line in the E2 Factory by Mianyang Xincheng 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
“Original Sales and Installment Agreement”	a sales and installation agreement entered into between Huachen and Alfing for the manufacturing, delivery and installation of additional connection rod production line for N20 engines and the provision of insurance and training in relation to the connection rod production line for N20 engines by Alfing dated 19 January 2013
“Payment Transfer Agreement”	a payment transfer agreement entered into between Huachen and Mianyang Xincheng for stipulating the parties’ payment obligation under the Supplemental Sales and Installment Agreement and for the payment of other miscellaneous payments paid or payable by Huachen as a result of performing its rights and obligations under the Original Sales and Installment Agreement dated 24 June 2014
“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”	additional connection rod production line for N20 engines 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

“Supplemental Sales and  
Installment Agreement”

a supplementary agreement, for the purpose of assigning and transferring the interests and rights of Huachen under the Original Sales and Installment Agreement to Mianyang Xincheng and to amend, vary and modify the Original Sales and Installment Agreement, entered into between Alfang, Huachen and Mianyang Xincheng dated 24 June 2014

“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, 24 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.*