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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)**

**DISCLOSEABLE TRANSACTION  
PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST  
IN CMT SHENYANG**

The Board is pleased to announce that on 23 June 2014 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors and the Target in respect of the proposed acquisition of the entire equity interest in the Target for a cash consideration of RMB331,770,961.00 (equivalent to approximately HK\$410,898,335.20), subject to adjustment.

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Proposed Transaction contemplated under the Acquisition Agreement exceed 5%, but all of the percentage ratios are less than 25%, the Proposed Transaction constitutes a discloseable transaction for the Company subject to the notification and announcement requirement but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 23 June 2014 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors and the Target in respect of the proposed acquisition of the entire equity interest in the Target for a cash consideration of RMB331,770,961.00 (equivalent to approximately HK\$410,898,335.20), subject to adjustment.

**THE ACQUISITION AGREEMENT**

**Date**

23 June 2014

## **Parties**

- (1) Purchaser: Mianyang Xincheng
- (2) Vendors: CMT Group and CMT Dalian
- (3) Target: CMT Shenyang, the owner of the Land and Properties as at the date of this announcement

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Target, the Vendors and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **The Proposed Transaction**

Pursuant to the terms of the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the entire equity interest in the Target for a cash consideration of RMB331,770,961.00 (equivalent to approximately HK\$410,898,335.20), subject to adjustment.

Upon completion of the Proposed Transaction, the Target will become an indirect wholly-owned subsidiary of the Company.

## **Consideration**

The Consideration of RMB331,770,961.00 (equivalent to approximately HK\$410,898,335.20), subject to adjustment, shall be paid by the Purchaser to the Vendors in proportion to their respective equity interest in the Target in the following manners:

- (1) a deposit of RMB66,354,192.20 (equivalent to approximately HK\$82,179,667.04), being 20% of the Consideration, is payable by the Purchaser to the Vendors' designated accounts within five business days upon fulfillment of the Repayment Obligation as set out in item (2) in the section "Major Obligations Prior to Completion" below, which may be used to set off the payment of 20% of the Consideration by the Purchaser; and
- (2) RMB265,416,768.80 (equivalent to approximately HK\$328,718,668.16), being 80% of the Consideration (after deducting any amount that the Purchaser is entitled to deduct from the Consideration pursuant to the Acquisition Agreement as mentioned below), is payable by the Purchaser by transferring such amount to the Escrow Account within ten business days upon all the requisite documents for the registration of the Proposed Transaction with the relevant industry and commerce authority in PRC being issued, provided that all representations and warranties given by the Vendors under the Acquisition Agreement remaining true and accurate in all respects. Such amount of the Consideration shall be released to the Vendors within three business days from the Completion Date.

The Consideration shall be subject to adjustment by deducting the following items (if any):

- (1) if any supplemental financial due diligence or audit on the Target is performed by the Purchaser or an audit firm engaged by the Purchaser (the “**Supplemental Financial DD and Audit**”), and the Supplemental Financial DD and Audit shows that the Target incurs losses for the period from the Base Date up to the Completion Date, an amount equals to such losses;
- (2) any statutory surplus reserve of the Target which has not been appropriated according to the relevant PRC laws and regulations as at the Completion Date;
- (3) any receivables and payables (whether or not they have become due or payable, but excluding those receivables under the BBA Leases) of the Target as at the Completion Date (other than any receivables or payables, the settlement of which has been waived by the Purchaser pursuant to the terms of the Acquisition Agreement), which have not been collected or settled by the Target;
- (4) any outstanding tax payment of the Target and potential overdue fine or penalty as at the Completion Date; and
- (5) any amount that has been fined or requested to return by the government authorities in relation to any tax preference and financial subsidy granted to the Target as at the Completion Date.

In addition, pursuant to Acquisition Agreement, the Purchaser is required to pay certain amounts to the Vendors on or prior to the Completion Date including, among others, (i) any statutory surplus reserve of the Target in respect of the profits that are attributable to the Vendors pursuant to the terms of the Acquisition Agreement, and (ii) any cash surplus in the bank accounts of the Target as at the Completion Date after certain deductions.

For avoidance of doubt, in no event shall the Consideration, as adjusted, result in any of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Proposed Transaction contemplated under the Acquisition Agreement exceeding 25%.

## **Basis of Determination of the Consideration**

The Consideration was determined based on normal commercial terms and arrived at after arm's length negotiations between the Purchaser and the Vendors, having considered a number of factors, including (i) the benefits of the Proposed Transaction as discussed below, (ii) the strategic value that the Target would contribute to the Group's future development in Shenyang and Northeast China, (iii) the current financial position of the Target, and (iv) with reference to the valuation of the Land and Properties at RMB324,000,000 (equivalent to approximately HK\$401,274,000) as at the Base Date by an independent professional valuer in Hong Kong based on the income approach. The Group intends to settle the consideration through bank borrowing and internal resources.

## **Major Obligations Prior to Completion**

Major obligations of the Vendors prior to completion of the Proposed Transaction include:

- (1) the Vendors shall terminate the CMT Leases within three business days upon the execution of the Acquisition Agreement. However, pursuant to the Acquisition Agreement, CMT Group will be entitled to enter into a new tenancy agreement with the Target for leasing certain portions of the Land and Properties upon completion of the Proposed Transaction for a term not later than 31 May 2016; and
- (2) the Vendors shall procure the Target to (i) repay all of the outstanding loans (including principal and interest) owed to China Guangfa Bank Co., Ltd., Dalian Branch within five business days upon the execution of the Acquisition Agreement and (ii) discharge the relevant assets pledge in connection with such loans (the **"Repayment Obligation"**).

## **Warranties**

Under the Acquisition Agreement, each of the Vendors has agreed to give certain representations, warranties and undertakings in respect of the Target and the Land and Properties.

## **Completion**

Pursuant to the Acquisition Agreement, the Vendors shall fulfill all of the Pre-Completion Obligations within five business days upon the execution of the Acquisition Agreement unless otherwise waived or extended by the Purchaser. If any of the Pre-Completion Obligations has not been fulfilled or otherwise waived or extended by the Purchaser on or before such date, the Purchaser shall be entitled to terminate the Acquisition Agreement unilaterally and shall not have any liability under the Acquisition Agreement.

The Purchaser and the Vendors shall enter into a share transfer instrument within ten business days upon fulfillment of all the Pre-Completion Obligations for the purpose of registration with the relevant industry and commerce authority. The Vendors shall procure the Target to complete the registration of the Proposed Transaction with the relevant industry and commerce authority within twenty business days upon 80% of the Consideration being transferred to the Escrow Account by the Purchaser.

## Possible Continuing Connected Transaction

Upon completion of Proposed Transaction, certain portions of the Land and Properties, which are currently being leased to BBA under the BBA Leases, may continue to be leased to BBA by the Target. As BBA is an associate of Brilliance China, a controlling shareholder of the Company, BBA is a connected person of the Company. Accordingly, the abovementioned lease to BBA would constitute a continuing connected transaction of the Company under the Listing Rules after completion of the Proposed Transaction and the Company will make further announcement(s) as and when appropriate.

## INFORMATION OF THE TARGET

The Target is a limited liability company established under the laws of the PRC, principally engaged in international logistics and related import and export business and property leasing and management. As at the date of this announcement, 84% and 16% equity interest of the Target were held by CMT Group and CMT Dalian, respectively.

As at 31 December 2013, the unaudited total assets of the Target was approximately RMB166.35 million (equivalent to approximately HK\$206.02 million) and the unaudited net assets of the Target was approximately RMB78.02 million (equivalent to approximately HK\$96.63 million).

The unaudited net profit before and after taxation of the Target for the year ended 31 December 2012 and 31 December 2013 were as follows:

	For the year ended 31 December			
	2012		2013	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit/(loss) before taxation	(1,279)	(1,584)	14,207	17,595
Net profit/(loss) after taxation	(1,279)	(1,584)	10,806	13,383

As at the date of this announcement, the principal assets of the Target are the Land and Properties. The particulars of the Land and Properties are as follows:

Location:	the land Number 19 located at No. 13 Street, Econ-Tech Development Zone, Tiexi New District, Shenyang City, Liaoning Provision, the PRC
Total site area:	approximately 112,645 square meters
Total gross floor area of the Land and Properties:	approximately 52,124 square meters

- Existing tenancy agreements:
- (i) The tenancy agreement dated 28 August 2012 and a supplemental agreement dated 22 July 2013 with BBA for certain portions of the Land and Properties for a term commencing from 28 August 2012 and expiring on 27 February 2018 for production and ancillary purposes at a monthly rent of RMB2,761,919 (equivalent to approximately HK\$3,420,636.68).
  - (ii) The tenancy agreement dated 28 August 2012 with CMT Group for certain portion of the Land and Properties for a term commencing from 28 August 2012 and expiring on 27 February 2018 for free.
  - (iii) The tenancy agreement dated 1 December 2013 with CMT Group's Shenyang branch for certain portion of the Land and Properties for a term commencing from 1 December 2013 and expiring on 31 December 2016 for office purposes at a monthly rent of RMB2,000 (equivalent to approximately HK\$2,477).

## **REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION**

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 and manufacture of engine parts and components of the passenger vehicles.

The Directors consider that the Proposed Transaction would represent a good opportunity for the Group to secure a parcel of land to strengthen its presence in Shenyang, where its major customers are located. As the manufacture bases of some of the Group's major customers (including the Huachen Group, Brilliance China, BBA and FAW Jilin Automobile Co., Ltd.\* ( 一汽吉林汽車有限公司 ) ) are located at Shenyang and neighboring areas, the Land and Properties to be acquired would be an ideal parcel of land to be used as one of the Group's manufacture and/or logistics bases, thereby reducing the Group's operating costs and enhancing the Group's profitability. Moreover, as the Land and Properties are the bases of the manufacturing facilities of BBA's engines and key components, the Directors believe that the Proposed Transaction would enhance the business relationship between the Group and BBA.

The Directors consider that the terms of the Proposed Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Proposed Transaction contemplated under the Acquisition Agreement exceed 5%, but all of the percentage ratios are less than 25%, the Proposed Transaction constitutes a discloseable transaction for the Company subject to the notification and announcement requirement but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

“Acquisition Agreement”	the agreement entered into among the Purchaser, the Vendors and the Target, dated 23 June 2014, in respect of the Proposed Transaction
“associates”	has the meaning ascribed thereto in the Listing Rules
“Base Date”	31 May 2014
“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.
“BBA Leases”	the leases of certain portions of the Land and Properties by BBA pursuant to the tenancy agreement dated 28 August 2012 and the supplemental agreement dated 22 July 2013 entered into between the Target and BBA
“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
“CMT Dalian”	CMT Dalian Co., Ltd.* (中床進出口大連有限公司), a company incorporated in the PRC with limited liability and is principally engaged in import and export businesses and international freight forwarding business



“CMT Group”	CMT International Logistics Group Co., Ltd.* (中床國際物流集團有限公司), a company incorporated in the PRC with limited liability and is principally engaged in international freight forwarding business and import and export of goods and technology
“CMT Leases”	the leases of certain portions of the Land and Properties pursuant to (i) the tenancy agreement dated 28 August 2012 entered into between CMT Group and the Target and (ii) the tenancy agreement dated 1 December 2013 entered into between CMT Group’s Shenyang branch and the Target
“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
“Completion Date”	the date on which registration with the relevant industry and commerce authority in PRC in respect of the Proposed Transaction is completed
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	RMB331,770,961.00 (equivalent to approximately HK\$410,898,335.20), subject to adjustment, payable by the Purchaser to the Vendors by way of cash for the Proposed Transaction pursuant to the Acquisition Agreement
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Escrow Account”	an escrow account to be opened under the name of the Purchaser and jointly administrated by the Purchaser and the Vendors for the purpose of payment of 80% of the Consideration pursuant to the terms of the Acquisition Agreement
“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
“Land and Properties”	the land Number 19 located at No. 13 Street, Econ-Tech Development Zone, Tiexi New District, Shenyang City, Liaoning Provision, the PRC with a total site area of approximately 112,645 square meters and six buildings with a total gross floor area of approximately 52,124 square meters and various ancillary structures erected thereupon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mianyang Xincheng” or “Purchaser”	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)
“Pre-Completion Obligations”	the obligations to be performed by the Vendors prior to the Completion Date as set out in the section “Major Obligations Prior to Completion” of this announcement
“Proposed Transaction”	the proposed acquisition of the entire equity interest in the Target from the Vendors as contemplated under the Acquisition Agreement
“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
“Target” or “CMT Shenyang”	CMT International Logistics Group Shenyang Co., Ltd.* (中床國際物流集團瀋陽有限公司), a company incorporated in the PRC with limited liability, whose equity interest is held as to 84% and 16% by CMT Group and CMT Dalian respectively

“Vendors” CMT Group and CMT Dalian

“%” 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 June 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\$1.2385. 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 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.*