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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)

**MANDATE FOR POSSIBLE
DISCLOSEABLE AND CONNECTED TRANSACTION**

POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION

The Board would like to seek Independent Shareholders' authorisation for the Group, through Mianyang Xincheng, to bid at the Tender for the Properties currently owned by Xinhua Combustion Engine. The Maximum Consideration for the Possible Acquisition which Mianyang Xincheng is willing to bid at the Tender is approximately RMB264.26 million (equivalent to approximately HK\$306.68 million).

LISTING RULES IMPLICATIONS

Xinhua Combustion Engine is a non wholly-owned subsidiary of Pushi Group, which is a wholly-owned subsidiary of Wuliangye. As at the date of this announcement, Wuliangye is interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company. Accordingly, Xinhua Combustion Engine is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Possible Acquisition exceed 5%, but all of the percentage ratios are less than 25%, the Possible Acquisition constitutes a discloseable and connected transaction of the Company subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

GENERAL

As the Properties currently owned by Xinhua Combustion Engine are state-owned properties in the PRC, any transfer of which should be conducted through public tender at an equity exchange in compliance with the requirements stipulated in the Guidelines on Supervision and Management of the Transactions of State-owned Assets of Enterprises* (企業國有資產交易監督管理辦法) approved by State-owned Assets Supervision and Administration Commission of the State Council unless otherwise permitted under law. Accordingly, Mianyang Xincheng could acquire the Properties from Xinhua Combustion Engine only through the public tender.

If Mianyang Xincheng's bidding is successful, it will thereupon become unconditionally obliged to purchase the Properties and will not be able to seek the approval of the Independent Shareholders after the bid that is required under Chapter 14A of the Listing Rules. Accordingly, the Directors are seeking the Independent Shareholders' advance approval for the grant of the Proposed Mandate.

An announcement containing, among other things, (i) the result of Mianyang Xincheng's bid submitted at the Tender; and (ii) should its bid be successful, the final price to be paid by Mianyang Xincheng and the date of the Acquisition Agreement will be made by the Company as soon as practicable.

Rule 14.34 of the Listing Rules requires the Company to publish an announcement as soon as possible after the terms of the Possible Acquisition have been finalised. In view that the terms of the Possible Acquisition will not be finalised before the completion of the Tender, it is impossible for the Company to issue an announcement in accordance with Rule 14.34 after the completion of the Tender and the terms of the Possible Acquisition are finalised. Accordingly, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14.34 of the Listing Rules in connection with the Possible Acquisition.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Possible Acquisition.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Possible Acquisition.

A circular containing, among other things, (1) further details of the Possible Acquisition; (2) the valuation report of the Properties; (3) a letter from the Independent Board Committee to the Independent Shareholders, setting out its recommendations in connection with the Possible Acquisition; (4) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Possible Acquisition; and (5) the notice of the Extraordinary General Meeting, is expected to be despatched to the Shareholders on or before 27 July 2016.

POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION

The Board would like to seek Independent Shareholders' authorisation for the Group, through Mianyang Xincheng, to bid at the Tender for the Properties currently owned by Xinhua Combustion Engine.

Proposed Consideration

The initial asking price for the bid is approximately RMB264.26 million (equivalent to approximately HK\$306.68 million). The Maximum Consideration for the Possible Acquisition which Mianyang Xincheng is willing to bid at the Tender is approximately RMB264.26 million (equivalent to approximately HK\$306.68 million).

The Directors consider that the Maximum Consideration is fair and reasonable having taken into account the initial asking price, the location and potential value of the Properties and the preliminary value of the Properties of RMB250.14 million (equivalent to approximately HK\$290.29 million) as at 30 June 2016 as assessed by an independent property valuer appointed by the Company by using market approach for the land portion and cost approach for the building portion. Valuation report of the Properties will be included in the circular of the Company to be despatched to the Shareholders on or before 27 July 2016. The original acquisition costs of the Properties amount to approximately RMB248.94 million (equivalent to approximately HK\$288.90 million).

The final bid price for the Properties to be submitted will depend on, among other things, the Group's view on the property market and its prospects on the date of the Tender as well as the bid prices made by competitors at the Tender, but will in any event not exceed the Maximum Consideration of approximately RMB264.26 million (equivalent to approximately HK\$306.68 million).

Tender process at Southwest United Equity Exchange

A summary of the tender process at Southwest United Equity Exchange is as follows:

- (a) Southwest United Equity Exchange released a notice specifying the terms of the sale of the Properties. The Properties are available for bidding in a 20 working day period since 30 June 2016. If Southwest United Equity Exchange has not received any valid offer by the first due date, second round of tender will commence and the Properties will be available for bidding for another 10 working days. If no valid offer has been received by Southwest United Equity Exchange in the second round, the tender process will then repeat in 10 working day cycles until the Properties are sold.
- (b) After obtaining the Independent Shareholders' approval in respect of the Possible Acquisition at the Extraordinary General Meeting, Mianyang Xincheng will then submit the bidding application to Southwest United Equity Exchange to bid for the Properties. Mianyang Xincheng will be required to pay a deposit of RMB20 million (equivalent to approximately HK\$23.21 million) (the "**Deposit**") to Southwest United Equity Exchange for the Possible Acquisition.

- (c) After the expiry of the tender cycle in which Mianyang Xincheng has submitted the bidding application, Southwest United Equity Exchange will notify Mianyang Xincheng as to whether it has succeeded in the bidding.
- (d) Within 3 working days from the confirmation letter from Southwest United Equity Exchange, Mianyang Xincheng will enter into acquisition agreement with Xinhua Combustion Engine (the “**Acquisition Agreement**”).

The consideration for the Possible Acquisition shall be paid in the following manner:

- (a) 30% of the consideration shall be satisfied within 5 working days from the date of the Acquisition Agreement;
- (b) 50% of the consideration shall be satisfied within 30 working days from the date of the Acquisition Agreement; and
- (c) The remaining balance of the consideration shall be satisfied within 1 year from the date of the Acquisition Agreement.

Conditions for participating in the Tender

Mianyang Xincheng should satisfy the following criteria for participating in the Tender:

- (a) completion of the application for participating in the Tender by producing corporate documents of the Mianyang Xincheng such as business registration certificate, authorised representative certificate and relevant board resolution or shareholders’ resolution during the prescribed period; and
- (b) full payment of the Deposit.

INFORMATION ON THE PROPERTIES

The Properties consist of 3 parcels of land with a total site area of approximately 103,922.87 square meters, 6 buildings and various ancillary structures erected thereon. The buildings mainly include industrial workshops, administration building, dormitory buildings, canteen and ancillary buildings with a total gross floor area of approximately 71,693.64 square meters.

REASONS FOR THE POSSIBLE ACQUISITION

The Group is principally engaged in the development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC.

The Group was licensed by BMW AG to manufacture prince engines under its own brand for its existing and potential customers. The Group decided to build up production facilities for prince engines in Mianyang after considering, among others, location of existing production facilities of the Group and its management team, location of the Group’s existing and potential customers and support from local government of Mianyang.

The Properties are located adjacent to the Group's existing production site in Mianyang. Currently, the Group occupied certain portion of the Properties for production and administrative purposes. The Directors consider that the Possible Acquisition represents an excellent expansion opportunity for the Group as it would allow the Company to leverage on the existing manufacturing capability of the Properties so as to fulfill its expansion goal more efficiently. The Possible Acquisition will also allow the Group to centralize its existing and new production facilities in one location to achieve synergy and improve operational efficiency.

The Directors (excluding directors who had abstained from voting on the resolutions and the independent non-executive Directors whose view will be given after considering the opinion from Independent Financial Adviser) consider that the terms of the Possible Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED

The Group

The Group is principally engaged in the development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC.

Xinhua Combustion Engine

Xinhua Combustion Engine is a joint-stock company established in the PRC and a non wholly-owned subsidiary of the Pushi Group and a connected person of the Company. The principal activities of Xinhua Combustion Engine are manufacture and sales of engine components, vehicles sales and provision of ancillary services and logistic services.

LISTING RULES IMPLICATIONS

Xinhua Combustion Engine is a non wholly-owned subsidiary of Pushi Group, which is a wholly-owned subsidiary of Wuliangye. As at the date of this announcement, Wuliangye is interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company. Accordingly, Xinhua Combustion Engine is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Possible Acquisition exceed 5%, but all of the percentage ratios are less than 25%, the Possible Acquisition constitutes a discloseable and connected transaction of the Company subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Mr. Wang Yunxian, an executive Director, is a director of Xinhua Investment Holdings Limited (which is a wholly-owned subsidiary of Xinhua Combustion Engine). Mr. Tang Qiao, a non-executive Director, is also director and president of Wuliangye. Accordingly, Mr. Wang Yunxian and Mr. Tang Qiao had abstained from voting on the Board resolutions in respect of the Possible Acquisition.

The Board confirms that except for Mr. Wang Yunxian and Mr. Tang Qiao, none of the Directors has any material interest in the Possible Acquisition. Accordingly, none of the Directors, except for Mr. Wang Yunxian and Mr. Tang Qiao, was required to abstain from voting on the Board resolutions in relation to the Possible Acquisition.

GENERAL

As the Properties currently owned by Xinhua Combustion Engine are state-owned properties in the PRC, any transfer of which should be conducted through public tender at an equity exchange in compliance with the requirements stipulated in the Guidelines on Supervision and Management of the Transactions of State-owned Assets of Enterprises* (企業國有資產交易監督管理辦法) approved by State-owned Assets Supervision and Administration Commission of the State Council unless otherwise permitted under law. Accordingly, Mianyang Xincheng could acquire the Properties from Xinhua Combustion Engine only through the public tender.

If Mianyang Xincheng's bidding is successful, it will thereupon become unconditionally obliged to purchase the Properties and will not be able to seek the approval of the Independent Shareholders after the bid that is required under Chapter 14A of the Listing Rules. Accordingly, the Directors are seeking the Independent Shareholders' advance approval for the grant of the Proposed Mandate.

An announcement containing, among other things, (i) the result of Mianyang Xincheng's bid submitted at the Tender; and (ii) should its bid be successful, the final price to be paid by Mianyang Xincheng and the date of the Acquisition Agreement) will be made by the Company as soon as practicable.

Rule 14.34 of the Listing Rules requires the Company to publish an announcement as soon as possible after the terms of the Possible Acquisition have been finalised. In view that the terms of the Possible Acquisition will not be finalised before the completion of the Tender, it is impossible for the Company to issue an announcement in accordance with Rule 14.34 after the completion of the Tender and the terms of the Possible Acquisition are finalised. Accordingly, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14.34 of the Listing Rules in connection with the Possible Acquisition.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Possible Acquisition.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Possible Acquisition.

A circular containing, among other things, (1) further details of the Possible Acquisition; (2) the valuation report of the Properties; (3) a letter from the Independent Board Committee to the Independent Shareholders, setting out its recommendations in connection with the Possible Acquisition; (4) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Possible Acquisition; and (5) the notice of the Extraordinary General Meeting, is expected to be despatched to the Shareholders on or before 27 July 2016.

As at the date of this announcement, Wuliangye is interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company. Wuliangye and its associates will abstain from voting on the ordinary resolution to be proposed at the Extraordinary General Meeting in respect of the Possible Acquisition.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“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;
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Possible Acquisition;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Possible Acquisition;

“Independent Financial Adviser”	the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Possible Acquisition;
“Independent Shareholder(s)”	Shareholder(s) other than Wuliangye and their respective associates;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Maximum Consideration”	approximately RMB264.26 million (equivalent to approximately HK\$306.68 million), being the maximum amount Mianyang Xincheng is willing to bid at the Tender for the Possible Acquisition;
“Mianyang Xincheng”	Mianyang Xincheng Engine Co., Ltd.* (綿陽新晨動力機械有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“Possible Acquisition”	the possible acquisition of the Properties by Mianyang Xincheng if it is successful at the Tender;
“PRC”	The People’s Republic of China and only for the purpose of this announcement, do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Properties”	comprising 3 parcels of land located at No. 69, Xingchang Avenue, Gaixin District, Mianyang City, Sichuan Province, the PRC and 6 buildings and various ancillary structures erected thereon;
“Proposed Mandate”	an authority to be granted to the Directors in advance by the Independent Shareholders at the Extraordinary General Meeting to engage in the Possible Acquisition;
“Pushi Group”	Sichuan Yibin Pushi Group Co., Ltd.* (四川省宜賓普什集團有限公司), one of the controlling shareholders of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.01 each;
“Shareholder(s)”	holder(s) of Share(s);

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tender”	the public tender for the sale of the Properties to be held to at the Southwest United Equity Exchange;
“Wuliangye”	Sichuan Province Yibin Wuliangye Group Co., Ltd.* (四川省宜賓五糧液集團有限公司), a state-owned company incorporated in the PRC and a holding company of the Pushi Group;
“Xinhua Combustion Engine”	Mianyang Xinhua Internal Combustion Engine Joint Stock Company Limited* (綿陽新華內燃機股份有限公司), a joint-stock company established in the PRC and a direct non wholly-owned subsidiary of Pushi Group; and
“%”	per cent.

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

Hong Kong, 6 July 2016

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.16051. 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. Tang Qiao; and four independent non-executive Directors, Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.

* for identification purposes only