

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

POWER XINCHEN

新 晨 动 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 TRANSACTION
FINANCIAL ASSISTANCE FROM BBA**

On 11 May 2021 (after trading hours), Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng, all of which are wholly-owned subsidiaries of the Company, entered into with BBA:

- (1) the Support Agreement, pursuant to which, among others, BBA has conditionally agreed to lend, and Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng have conditionally agreed to borrow, the Loan in the principal amount of RMB500 million at an interest rate of 4.6% per annum; and
- (2) the MOU which sets out provisions relating to, among others, the Loan and the Potential Disposal.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Brilliance China, a controlling shareholder of the Company, is indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the making of the Loan as contemplated under the Support Agreement and the MOU constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Loan is higher than 5% and the principal amount of the Loan exceeds HK\$10 million, the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan).

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan).

A circular containing, amongst other things, details of the Support Agreement, the Mortgage Agreements and the MOU (to the extent which concerns the Loan), the letter from the Independent Board Committee and the letter from the Independent Financial Adviser and a notice convening the Extraordinary General Meeting for the Independent Shareholders to consider and, if thought fit, approve the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan) is expected to be despatched on or before 3 June 2021.

The Board announces that on 11 May 2021 (after trading hours), Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng, all of which are wholly-owned subsidiaries of the Company, entered into with BBA:

- (1) the Support Agreement, pursuant to which, among others, BBA has conditionally agreed to lend, and Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng have conditionally agreed to borrow, the Loan in the principal amount of RMB500 million at an interest rate of 4.6% per annum; and
- (2) the MOU which sets out provisions relating to, among others, the Loan and the Potential Disposal.

SUPPORT AGREEMENT

The principal terms of the Support Agreement are set out below:

- Date:** 11 May 2021
- Parties:** (1) BBA, as lender
- (2) Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng, all of which are wholly-owned subsidiaries of the Company, as joint borrowers
- Subject:** the Loan in the principal amount of RMB500 million
- Term:** The term shall be for a period commencing from the day on which BBA releases the proceeds of the Loan in accordance with the Support Agreement and ending on the day on which the Loan shall be repaid in accordance with the Support Agreement. Notwithstanding any other provisions of the Support Agreement, the repayment date of the Loan shall not exceed 190 business days after execution of the Support Agreement, i.e. the Loan together with interest accrued thereon shall be repaid by the Borrowers to BBA no later than 10 business days from the 180th business day after execution of the Support Agreement.
- Use:** The Borrowers shall use the proceeds of the Loan in first priority to repay the outstanding principal amount and interest accrued of the term loan facilities provided to Mianyang Xincheng by Hang Seng Bank Limited under the Hang Seng Facility Letter.
- Interest:** 4.6% per annum (unless BBA and the Borrowers otherwise agree in writing), calculated on the basis of the number of days from (and including) the payment date of the Loan to (but excluding) the day on which the term of the Loan ends and on a 360-day basis, and payable in one lump sum upon the end of the Loan.

Penalty interest and misuse interest:

If the Borrowers neither repay the principal amount of the Loan in accordance with the terms of the Support Agreement, nor reach an agreement with BBA on the extension of the term of the Loan, BBA shall have the right to charge penalty interest from the date of overdue on the outstanding principal amount of the Loan based on the penalty interest rate published by the People's Bank of China, which means 30% interest over the ordinary interest rate of 4.6%, until the outstanding principal amount of the Loan and the interest accrued and due are repaid in full. If the Borrowers use the Loan for purposes not provided in the Support Agreement, BBA shall have the right to charge misuse penalty interest of the misused amount based on the misuse penalty interest rate published by the People's Bank of China, which is 50% interest over the ordinary interest rate of 4.6%.

Conditions precedent:

The Loan shall be made subject to satisfaction of the following conditions, unless any of them or any part thereof has been waived by BBA in writing:

- (1) the Borrowers have executed with BBA the Mortgage Agreements as requested by BBA;
- (2) the registration formalities for the mortgages created by the Mortgage Agreements with the competent governmental authorities have been completed and BBA has been registered as the sole mortgagee of the Mortgaged Assets;
- (3) the Borrowers have provided a proposal to BBA regarding the utilisation of the Loan;
- (4) an approval by the board of directors of BBA on the Loan has been obtained;
- (5) all necessary internal and external consents, licenses, approvals and waivers in connection with the execution of the Support Agreement and performance of their obligations under the Support Agreement have been obtained by the Borrowers; and
- (6) all the representations and warranties of the Borrowers in the Support Agreement are true and correct in all respects.

Mandatory repayment:

Under any of the following circumstances, BBA may request repayment of the Loan and interest accrued thereon by serving a written notice on the Borrowers, and the Borrowers shall repay to BBA the Loan already made and interest accrued thereon within 10 business days upon receipt of such notice:

- (1) any of the Borrowers becomes insolvent, bankrupt, or a significant part of its assets are ruled to be bankruptcy assets in any bankruptcy proceeding;
- (2) any encumbrance other than, among others, the mortgages created by the Mortgage Agreements is created over the Mortgaged Assets, or the Mortgaged Assets or equity interests of the Borrowers are under seizure or freezing proceedings;
- (3) any of the Mortgage Agreements is terminated, withdrawn, confirmed or ruled to be invalid, illegal or unenforceable at any time;
- (4) any of the business arrangements under the Support Agreement cannot be implemented due to whatsoever reason;
- (5) any of the Borrowers materially breaches its representations, warranties, covenants and obligations under the Support Agreement or other agreements to which it is a party with respect to the arrangement under the Support Agreement.

In addition, where the Borrowers intend to transfer the Mortgaged Assets and BBA has the intention to purchase the Mortgaged Assets, BBA may under any of the following circumstances request repayment of the Loan and interest accrued thereon by serving a written notice on the Borrowers, and the Borrowers shall repay to BBA the Loan already made and interest accrued thereon within 10 business days upon receipt of such notice:

- (1) the approval by the Shareholders for all the transactions and matters covered by the Support Agreement (if applicable) is not obtained within 40 business days after the execution of the Support Agreement, or the Borrowers fail to initiate the Mortgaged Assets Public Listing Process within 20 business days after the obtaining of the above approval of the Shareholders;
- (2) BBA is not selected as the winning bidder during the Mortgaged Assets Public Listing Process; and
- (3) the land use right/property right of the Mortgaged Assets is not delivered to BBA within 180 business days after execution of the Support Agreement.

Termination:

The Support Agreement may be unilaterally terminated by BBA with a ten-day notice under any of the following circumstances:

- (1) the financial status of the Borrowers has significantly improved;
- (2) BBA decides to provide other financial support to the Borrowers; and
- (3) other circumstances as deemed reasonable by BBA to terminate the Support Agreement.

Upon the unilateral termination of the Support Agreement by BBA, the Borrowers shall repay the Loan and the interest accrued within 10 business days and BBA and the Borrowers shall conclude a new agreement in relation to, among others, the deregistration of the mortgages created by the Mortgage Agreements (if necessary).

Security:

The repayment of the Loan by the Borrowers is secured by the mortgages to be created over the Mortgaged Assets under the Mortgage Agreements.

MORTGAGE AGREEMENTS

The principal terms of the Mortgage Agreements are set out below:

- Parties:**
- (1) Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng, as mortgagors
 - (2) BBA, as mortgagee

The mortgages created over the Mortgage Assets under the Mortgage Agreements are to secure (a) the repayment of the Loan and the performance of other obligations by the Borrowers pursuant to the Support Agreement, and/or (b) the obligations of Mianyang Xincheng to BBA under the purchase agreement on finished crankshafts executed by Mianyang Xincheng and BBA dated 21 January 2015 and/or (c) the obligations of Mianyang Xincheng (Shenyang Branch) to BBA under the contractual documents in relation to the purchase of connecting rods (including without limitation the BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components, Framework Agreement for Supply to BMW Brilliance Automotive Ltd., Warranty Agreement and Series Orders) executed by Mianyang Xincheng (Shenyang Branch) and BBA dated 4 August 2014.

MOU

The principal terms of the MOU are set out below:

Date: 11 May 2021

- Parties:**
- (1) BBA
 - (2) Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng, all of which are wholly-owned subsidiaries of the Company

Under the MOU, it is provided, among others:

- (1) if BBA is selected as the purchaser of the Mortgaged Assets during the Mortgaged Assets Public Listing Process, the Borrowers and BBA shall execute the asset transfer agreements in relation to the transfer of the Mortgaged Assets, in the form and substance agreed by them;

- (2) upon initiation of the Mortgaged Assets Public Listing Process, the mortgages created over the Mortgaged Assets under the Mortgage Agreements shall not be released and the Borrowers shall request the winning bidder of the Mortgaged Assets to continue to mortgage the Mortgaged Assets to BBA after it wins the bidding for the debts owed by the Borrowers to BBA which are secured by the Mortgage Agreements; and
- (3) if BBA wins the bidding, the Borrowers shall cooperate with BBA to release the mortgages created over the Mortgaged Assets and conduct the formalities to transfer the title to the Mortgaged Assets to BBA. Further, if BBA wins the bidding, the Loan and interest accrued thereon shall be deducted from the final price for the transfer of the Mortgaged Assets agreed between the Borrowers and BBA to the extent feasible. The detailed arrangements shall be set out in the definitive assets purchase agreement or its supplementary agreement. If for any reason, the Loan, together with interest accrued thereon, cannot be deducted from the price for the transfer of the Mortgaged Assets, the Borrowers shall repay the Loan and interest accrued thereon first and then BBA shall be obliged to make payment of the price for the transfer of the Mortgaged Assets.

The MOU may be unilaterally terminated by BBA with a ten-day notice under any of the following circumstances:

- (1) the financial status of the Borrowers has significantly improved and BBA determines that there is no need to purchase the Mortgaged Assets;
- (2) BBA decides to provide other financial support to the Borrowers in lieu of purchasing the Mortgaged Assets from the Borrowers; and
- (3) other circumstances as deemed reasonable by BBA to terminate the MOU.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPORT AGREEMENT, THE MORTGAGE AGREEMENTS AND THE MOU

The Borrowers have been suffering from the COVID-19 pandemic and fierce industry competition which led to a loss-making as well as a net current liability position of the Group. For the year ended 31 December 2020, the Group recorded net loss of approximately RMB808.6 million and net current liabilities of approximately RMB619.2 million as at 31 December 2020. This supportive arrangement from BBA is to ensure that the Company has sufficient working capital for its operations in view of the volatile and uncertain automobile industry and for the repayment of certain existing bank loans.

Having considered the above, the Directors (excluding Mr. Wu Xiao An and Ms. Ma Nina and the independent non-executive Directors whose view will be given after considering the opinion from the Independent Financial Adviser) consider that the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan) are in the interests of the Company and the Shareholders as a whole and on normal commercial terms or better and that the terms of the Support Agreement, the Mortgage Agreements and the MOU (to the extent which concerns the Loan) are fair and reasonable.

INFORMATION ON 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 passenger vehicles in the PRC.

Mianyang Xincheng

Mianyang Xincheng is an indirect wholly-owned subsidiary of the Company, which was established in the PRC with limited liability on 23 March 1998 and 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.

Mianyang Xincheng (Shenyang Branch)

Mianyang Xincheng (Shenyang Branch) is the branch company of Mianyang Xincheng established in Shenyang, Liaoning, the PRC.

Shenyang Xincheng

Shenyang Xincheng is an indirect wholly-owned subsidiary of the Company, which was established in the PRC with limited liability on 22 October 2008 and is principally engaged in the development and manufacture of automotive engines, parts and components.

BBA

BBA is a sino-foreign equity joint venture company incorporated in the PRC and as at the date of this announcement is owned as to 50% by Shenyang Jinbei 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 Holding B.V. To the best knowledge, information and belief of the Directors, BMW Holding B.V. is an indirect subsidiary of BMW AG, a German multinational company which produces automobiles and motorcycles and is listed on the Frankfurt Stock Exchange.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Brilliance China, a controlling shareholder of the Company, is indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the making of the Loan as contemplated under the Support Agreement and the MOU constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Loan is higher than 5% and the principal amount of the Loan exceeds HK\$10 million, the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wu Xiao An, an executive Director, is also the chairman and an executive director of Brilliance China. Accordingly, Mr. Wu Xiao An abstained from voting on the Board resolutions in respect of the Support Agreement, the Mortgage Agreements and the MOU.

Ms. Ma Nina, a non-executive Director, is also an executive director of Brilliance China and a director of Shenyang XingYuanDong Automobile Component Co., Ltd. (a subsidiary of Brilliance China). Accordingly, Ms. Ma Nina abstained from voting on the Board resolutions in respect of the Support Agreement, the Mortgage Agreements and the MOU.

The Board confirms that except for Mr. Wu Xiao An and Ms. Ma Nina, none of the Directors has any material interest in the Support Agreement, the Mortgage Agreements and the MOU. Accordingly, none of the Directors (except for Mr. Wu Xiao An and Ms. Ma Nina who abstained as mentioned above) was required to abstain from voting on the Board resolutions in relation to the Support Agreement, the Mortgage Agreements and the MOU.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan).

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan).

A circular containing, amongst other things, details of in respect of the Support Agreement, the Mortgage Agreements and the MOU (to the extent which concerns the Loan), the letter from the Independent Board Committee and the letter from the Independent Financial Adviser and a notice convening the Extraordinary General Meeting for the Independent Shareholders to consider and, if thought fit, approve the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan) is expected to be despatched on or before 3 June 2021.

As at the date of this announcement: (i) Brilliance China is interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company, and (ii) Mr. Wu Xiao An, an executive Director, is interested and deemed to be interested in an aggregate of 42,313,426 Shares, representing approximately 3.30% of the issued share capital of the Company. Brilliance China, Mr. Wu Xiao An and their respective associates will abstain from voting on the ordinary resolution(s) to be proposed at the Extraordinary General Meeting in respect of the Support Agreement, the Mortgage Agreements and the MOU (to the extent which concerns the Loan).

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under 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.;
“BMW AG”	Bayerische Motoren Werke Aktiengesellschaft
“Board”	the board of Directors;
“Borrowers”	collectively, Mianyang Xinchun, Mianyang Xinchun (Shenyang Branch) and Shenyang Xinchun;
“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;
“Company”	Xinchun China Power Holdings Limited (新晨中國動力控股有限公司), an exempted company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;

“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Support Agreement, the Mortgage Agreements, the MOU (to the extent which concerns the Loan) and the transactions contemplated thereunder (in respect of the MOU, to the extent which concerns the Loan);
“Group”	the Company and its subsidiaries;
“Hang Seng Facility Letter”	the banking facility letter dated 6 May 2020 issued by Hang Seng Bank Limited to Mianyang Xinchun in relation to term loan facilities in the total amount of US\$36,000,000 provided by Hang Seng Bank Limited to Mianyang Xinchun;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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 Support Agreement, the Mortgage Agreements and the MOU (to the extent which concerns the Loan);
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Support Agreement, the Mortgage Agreements and the MOU (to the extent which concerns the Loan);
“Independent Shareholder(s)”	Shareholder(s) other than Brilliance China, Mr. Wu Xiao An and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the secured interest-bearing loan in the principal amount of RMB500 million to be advanced by BBA to the Borrowers;

“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 a wholly-owned subsidiary of the Company;
“Mianyang Xincheng (Shenyang Branch)”	Mianyang Xincheng Engine Co., Ltd. Shenyang Branch* (綿陽新晨動力機械有限公司瀋陽分公司), the branch company of Mianyang Xincheng established in Shenyang, Liaoning, the PRC;
“Mortgage Agreements”	a set of four mortgage agreements (抵押合同) to be entered into between the Borrowers with BBA, pursuant to which mortgages over the Mortgaged Assets will be created in favour of BBA as security for, among others, the Loan;
“Mortgage Assets”	the production facilities owned by the Borrowers relating to the production of crankshaft and the land use right and property ownership of buildings owned by Shenyang Xincheng relating to the production of crankshaft and connecting rod;
“Mortgaged Assets Public Listing Process”	the process for the proposed sale of the Mortgaged Assets via asset and equity exchange by public information disclosure;
“MOU”	the memorandum of understanding for asset purchase (資產購買諒解備忘錄) dated 11 May 2021 between BBA and the Borrowers;
“Potential Disposal”	the potential disposal by the Borrowers of the Mortgaged Assets;
“PRC”	The People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.01 each;
“Shareholder(s)”	holder(s) of Share(s);
“Shenyang Xincheng”	Xincheng Engine (Shenyang) Co., Limited* (新晨動力機械(瀋陽)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Support Agreement”	the support agreement (支持協議) dated 11 May 2021 between BBA and the Borrowers;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 11 May 2021

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, Ms. Ma Nina and Mr. Yang Ming; and four independent non-executive Directors, Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.

* *for identification purpose only*