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**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)**

**MAJOR TRANSACTIONS:**

**(1) FORMATION OF JOINT VENTURE COMPANY**

**AND**

**(2) INJECTION OF ASSETS INTO JOINT VENTURE COMPANY**

On 27 August 2021 (after trading hours), Beijing CHJ (a company established in the PRC and controlled by Li Auto Inc.) and Mianyang Xincheng (a wholly-owned subsidiary of the Company) entered into the Investment Agreement in relation to the formation of Sichuan Li Xincheng Technology Co., Ltd\* (四川理想新晨科技有限公司) (a provisional name subject to business registration) in Mianyang City, Sichuan Province, the PRC. Subject to its business licence to be granted, the JV Company shall principally engage in the manufacture, research and development, sales, provision of after-sales services of range extender engines and parts which are suitable for NEVs, as well as the manufacture of other NEV-compatible gasoline engines.

The total registered capital of the JV Company shall be RMB629,935,800. Beijing CHJ shall contribute RMB321,267,300 in cash as registered capital, representing 51% of the total registered capital of the JV Company. Mianyang Xincheng shall contribute RMB308,668,500 as registered capital, representing 49% of the total registered capital of the JV Company, of which RMB80,000,000 shall be contributed in cash and RMB228,668,500 shall be contributed by Mianyang Xincheng by injecting the Contribution Assets into the JV Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the formation of the JV Company are more than 25% while all applicable percentage ratios are less than 100%, the formation of the JV Company pursuant to the Investment Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, the injection of the Contribution Assets into the JV Company, which will not be accounted for as a subsidiary of the Company, is considered a disposal by the Group under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the injection of the Contribution Assets into the JV Company are more than 25% while all applicable percentage ratios are less than 75%, the injection of the Contribution Assets into the JV Company constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM**

The Company will convene and hold the EGM for the Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder (including but not limited to the formation of the JV Company and the injection of the Contribution Assets). A circular containing, among other things, further details of the Investment Agreement and the transactions contemplated thereunder and the notice convening the EGM, is expected to be despatched to the Shareholders on or before 30 September 2021.

**Shareholders and potential investors of the Company should note that the transactions contemplated under the Investment Agreement are subject to fulfilment (or, where applicable, waiver) of the Capital Contribution Conditions as set out in the section headed "Investment Agreement – Conditions for payment of registered capital" in this announcement. As the transactions contemplated under the Investment Agreement may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

The Board announces that on 27 August 2021 (after trading hours), Beijing CHJ (a company established in the PRC and controlled by Li Auto Inc.) and Mianyang Xinchun (a wholly-owned subsidiary of the Company) entered into the Investment Agreement in relation to the formation of the JV Company in Mianyang City, Sichuan Province, the PRC.

## INVESTMENT AGREEMENT

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

- Date : 27 August 2021
- Parties : (1) Beijing CHJ; and  
(2) Mianyang Xincheng
- Name and form of the JV Company : Sichuan Li Xincheng Technology Co., Ltd\* (四川理想新晨科技有限公司) (a provisional name subject to business registration), a limited liability company to be jointly formed by Mianyang Xincheng and Beijing CHJ in the PRC
- Business scope of the JV Company : Subject to its business licence to be granted, the JV Company shall principally engage in the manufacture, research and development, sales, provision of after-sales services of range extender engines and parts which are suitable for NEVs, as well as the manufacture of other NEV-compatible gasoline engines.
- Term of the JV Company : 10 years from the date of establishment of the JV Company
- Registered capital of the JV Company : The total registered capital of the JV Company shall be RMB629,935,800.

Beijing CHJ shall contribute RMB321,267,300 in cash as registered capital, representing 51% of the total registered capital of the JV Company.

Mianyang Xincheng shall contribute RMB308,668,500 as registered capital, representing 49% of the total registered capital of the JV Company, of which RMB80,000,000 shall be contributed in cash (the “**Cash Contribution**”) and RMB228,668,500 shall be contributed by Mianyang Xincheng by injecting the Contribution Assets into the JV Company.

The capital commitment in the JV Company is determined based on arm’s length negotiations between the Parties to the Investment Agreement after taking into consideration the development plan of the JV Company.

Timing for payment of registered capital : **The first instalment:**

Subject to all the Capital Contribution Conditions having been fulfilled or waived (as the case may be), Mianyang Xincheng and Beijing CHJ shall pay the first instalment of the capital contribution within five business days after the first instalment of the licence fee payable by the JV Company to Mianyang Xincheng under the Technology Licence Agreement has become due and payable and in the following manner:

- (a) Beijing CHJ shall make capital contribution in the sum of RMB258,818,400 into the JV Company in cash;
- (b) Mianyang Xincheng shall deliver and inject all the Contribution Assets into the JV Company; and
- (c) Mianyang Xincheng shall make capital contribution in the sum of RMB20,000,000 into the JV Company in cash using the licence fee to be received under the Technology Licence Agreement.

**The second, third and fourth instalments:**

Within 18, 36 and 54 months after the payment of the first instalment of the capital contribution (or such later date as agreed by the Parties), Mianyang Xincheng and Beijing CHJ shall make the second, third and fourth instalments of capital contribution, respectively. For each of the second, third and fourth instalments, (a) Beijing CHJ shall make capital contribution in the sum of RMB20,816,300 into the JV Company in cash; and (b) Mianyang Xincheng shall make capital contribution in the sum of RMB20,000,000 into the JV Company in cash using the licence fee to be received under the Technology Licence Agreement.

- Conditions for payment of registered capital : The respective capital contribution obligations by Mianyang Xinchen and Beijing CHJ shall be conditional upon the fulfilment or (where applicable) waiver of the following conditions (collectively, the “**Capital Contribution Conditions**”):
- (a) the operation and management committee and the board of directors of Mianyang Xinchen having passed resolutions to approve the execution of the Investment Agreement and the establishment of the JV Company;
  - (b) the shareholders of Beijing CHJ having passed resolutions to approve the execution of the Investment Agreement and the establishment of the JV Company;
  - (c) the Investment Agreement, the articles of association of the JV Company and other contracts and documents contemplated thereunder, including the Supplemental BMW Licence Agreement, the Technology Licence Agreement, the Technology Transfer Agreement, the Lease Agreement, the investment cooperation agreement in relation to the project of the research and development and production base of Beijing CHJ’s range extender with the Mianyang High-tech Industrial Development Zone Management Committee, having been executed by the parties thereto and becoming effective;
  - (d) the registration and filing in respect of the JV Company with the municipal supervision authority having been completed, including the filing in respect of the chairman, directors, general manager, supervisors and legal representatives nominated and appointed in accordance with the Investment Agreement, and the JV Company having obtained its first business licence;
  - (e) the shareholders’ meeting of the JV Company and the JV Board having appointed the chairman, directors, general manager, deputy general manager and other senior management of the JV Company in accordance with the Investment Agreement;

- (f) the JV Company having obtained a valid licence and the relevant authorization regarding the Prince Engine technology of the BMW Group in the PRC pursuant to the Supplemental BMW Licence Agreement and the Technology Licence Agreement; and the expiry dates of the respective licence periods under the BMW Licence Agreement, the Supplemental BMW Licence Agreement and the Technology Licence Agreement are all later than the expiry date of the term of the JV Company;
- (g) Mianyang Xinchun having delivered to the JV Company a document list, including the product information, methodology know-how, research and development drawings and data of CE15F Products as approved by both Parties pursuant to the Technology Licence Agreement and the Technology Transfer Agreement;
- (h) the valuation report on the Contribution Assets having been formally issued;
- (i) Mianyang Xinchun, the sellers of each of the Contribution Assets and the JV Company having entered into a tripartite agreement, pursuant to which, where the outstanding amount of the relevant sum payable by Mianyang Xinchun for each Contribution Asset under the relevant purchase agreements, design or construction agreements and installation agreements (among other agreements) exceeds RMB500,000, the payment obligation of the portion exceeding RMB500,000 shall be transferred to the JV Company (for the avoidance of doubt, other amounts payable by Mianyang Xinchun under the relevant agreements for the Contribution Assets shall still be borne by Mianyang Xinchun);
- (j) Mianyang Xinchun having obtained a letter of undertaking from Guanzhi Automobile Co., Ltd. waiving its option to possess and own the Contribution Assets and a copy of such letter of undertaking having been provided to Beijing CHJ;

- (k) Mianyang Xinchun having obtained the consents from all relevant third parties in relation to its capital contribution to the JV Company in cash and the injection of the Contribution Assets into the JV Company and having notified all relevant third parties in this regard, and such corresponding supporting documents having been provided by Mianyang Xinchun to Beijing CHJ;
- (l) all the pledges relating to the JV Production Plant having been released, and such corresponding supporting documents having been provided to Beijing CHJ;
- (m) the JV Company having applied to the development and reform authority for the filing of investment projects, and having obtained such filing records;
- (n) the representations and warranties made by both Parties under the Investment Agreement remaining true, accurate, complete and not misleading in all material aspects as of the date on which they are made and up to the date on which the capital contribution is made;
- (o) up to the date on which the capital contribution is made by both Parties, both Parties having complied with their respective responsibilities and obligations under the Investment Agreement in all material respects;
- (p) as of the date on which the capital contribution is made, there is no event(s) that, solely or jointly, has material adverse effect on the ability of the other Party to perform its obligations under the Investment Agreement; and it is reasonably expected that there is no event(s), solely and jointly, having material adverse effect as aforesaid;
- (q) no law having been issued, enacted, promulgated or enforced by any governmental authority which prohibits or restricts in any material way the purpose of the Investment Agreement or the consummation of the transactions contemplated by the Investment Agreement, or making the Investment Agreement illegal or invalid; and

- (r) the Investment Agreement and the transactions contemplated thereunder (including but not limited to the establishment of the JV Company by Mianyang Xincheng, the Cash Contribution and the injection of the Contribution Assets) having been approved by the holding company of Mianyang Xincheng, i.e. the Company, in general meeting in accordance with the Listing Rules.

Mianyang Xincheng may waive all or any part of the Capital Contribution Condition (b) above while Beijing CHJ may waive all or any part of the Capital Contribution Conditions (a), (f), (i) to (l) above. Also, either Mianyang Xincheng or Beijing CHJ may waive all or any part of the Capital Contribution Conditions (c) to (e), (g), (h), (m) to (q) provided that the relevant Capital Contribution Condition not being fulfilled is not on the ground of the Party waiving such Capital Contribution Condition.

None of the Parties may waive all or any part of the Capital Contribution Condition (r).

Mianyang Xincheng shall use its best endeavours to procure the fulfilment of Capital Contribution Conditions (a), (f), (i) to (l) and (r) within 60 business days after the execution of the Investment Agreement (the “**Long Stop Date**”).

Beijing CHJ shall use its best endeavours to procure the fulfilment of Capital Contribution Condition (b) by the Long Stop Date.

Mianyang Xincheng and Beijing CHJ shall use their best endeavours to procure the fulfilment of Capital Contribution Conditions (c) to (e), (g), (h), (m) to (q) by the Long Stop Date.

- Voting rights of the JV Shareholders :
- The following matters shall be approved by more than 50% of the voting rights held by all the JV Shareholders:
    - (a) to decide on the operating strategies and investment plans of the JV Company;



- (b) to elect and replace directors and supervisors of the JV Company and to decide on issues relating to the remuneration of directors and supervisors of the JV Company;
- (c) to review and approve reports of the JV Board;
- (d) to review and approve reports of supervisors of the JV Company;
- (e) to review and approve the annual financial budgets and final accounts of the JV Company;
- (f) to review and approve the profit distribution plans and loss recovery plans of the JV Company;
- (g) to resolve on the issuance of bonds by the JV Company; and
- (h) to exercise other functions and powers stipulated in the Investment Agreement, the articles of association of the JV Company or laws of the PRC.

The following matters shall be approved by more than two-third of the voting rights held by all the JV Shareholders:

- (a) to resolve on the increase or reduction of the registered capital of the JV Company;
- (b) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the JV Company; and
- (c) to amend the articles of association of the JV Company.

The JV Board : The JV Board shall comprise five directors whereby Beijing CHJ and Mianyang Xincheng shall have the right to nominate three directors and two directors, respectively.

The quorum of any meetings of the JV Board shall be at least three-fifths of the directors of the JV Company. Resolutions at a JV Board meeting may be passed with three or more directors voting in favour, save and except the following matters which require three or more directors (including at least one director nominated by Mianyang Xinchun) of the JV Company voting in favour:

- (a) the JV Company providing (i) external guarantees for debts (other than guarantees for the JV Company's own debts); and (ii) any external loans;
- (b) the JV Company entering into any loan transactions or issuing bonds in the amount of more than RMB50 million;
- (c) the JV Company entering into any external investment (including the establishment of new companies, partnerships or branches) in the amount exceeding 10% of the audited net assets of the JV Company in the preceding year and the disposal of interests in external investment;
- (d) the JV Company purchasing, selling, transferring, pledging or otherwise disposing intellectual property rights with a value of more than RMB5 million; and
- (e) the JV Company purchasing, selling, transferring, pledging or otherwise disposing real property with a value of more than RMB5 million.

Supervisor of the JV Company : The JV Company shall have one supervisor who shall be nominated by Mianyang Xinchun.

Senior management of the JV Company : The senior management of the JV Company shall comprise one general manager, two deputy general managers, one finance director, one deputy finance director and such other senior management as determined by the JV Board.

Beijing CHJ shall have the right to (a) nominate the general manager of the JV Company; and (b) recommend candidate for the position of finance director of the JV Company.

Mianyang Xincheng shall have the right to recommend candidates for the positions of one deputy general manager and the deputy finance director of the JV Company.

Lease of production plant : Mianyang Xincheng undertakes to enter into the Lease Agreement with the JV Company pursuant to which Mianyang Xincheng agrees to lease a production plant situated in Mianyang City, Sichuan Province, the PRC (the “**JV Production Plant**”) to the JV Company as the JV Company’s production plant. As at the date of this announcement, the terms of the Lease Agreement are under negotiations and to be agreed.

Intellectual property rights : After the establishment of the JV Company, Mianyang Xincheng and the JV Company shall enter into the Technology Transfer Agreement whereby Mianyang Xincheng shall transfer the Related Technology of Specific Components to the JV Company in such manner as prescribed by the relevant law.

After the establishment of the JV Company, Mianyang Xincheng and the JV Company shall enter into the Technology Licence Agreement whereby Mianyang Xincheng shall grant a licence to the JV Company for the use of the technology related to the Prince Engine (including the Related Technology of Shared Components) and in return the JV Company shall pay Mianyang Xincheng a licence fee.

As at the date of this announcement, the terms of the Technology Transfer Agreement and the Technology Licence Agreement are under negotiations and to be agreed.

Profit distribution : When distributing the after-tax profits of the current year, the JV Company shall allocate 10% of its profits into its statutory reserve fund. Where the statutory reserve fund of the JV Company is accumulated to more than 50% of its registered capital, no further appropriation is required. Where the statutory reserve fund of the JV Company is insufficient to make up for the losses of previous years, the profits of the current year shall first be used to make up for the losses before allocating to the statutory reserve fund.

After making allocations to the statutory reserve fund from its after-tax profits, the JV Company may also make allocations to its discretionary reserve fund from its after-tax profits subject to a resolution of the shareholders' meeting.

After making up for the losses and making allocations to the reserve fund, Mianyang Xincheng and Beijing CHJ agree to distribute the remaining after-tax profits according to the proportion of their actual paid up capital in the JV Company in the manner mutually agreed between Mianyang Xincheng and Beijing CHJ.

Non-competition : Mianyang Xincheng is allowed to sell CE15F Products to third party customers on the basis that such third party customers shall not deliver vehicles using CE15F Products to its customers earlier than 31 October 2023.

Mianyang Xincheng shall share the costs of the JV Company relating to the research and development of CE15F Products with the JV Company on the basis to be agreed between Mianyang Xincheng and the JV Company.

Notwithstanding the above, Mianyang Xincheng may sell CE15F Products to certain competitors of Beijing CHJ and the entities with actual control over any of them with the written consent of the JV Company.

Restrictions on transfer of : Any transfer (whether in whole or in part) of the equity interests in the JV Company (the “**Relevant Equity**”) held by any Party (the “**Transferor**”) shall be subject to the consent of the other Party (the “**Remaining Party**”).

Where the Transferor intends to transfer the Relevant Equity to any third party, the Remaining Party shall have the right of first refusal to purchase all (but not part) of the Relevant Equity.

- Termination of the JV Company : The Investment Agreement may be terminated upon the occurrence of any of the following events:
- (a) Mianyang Xincheng and Beijing CHJ unanimously agree to terminate the Investment Agreement;
  - (b) Beijing CHJ may terminate the Investment Agreement by issuing a written termination notice to Mianyang Xincheng where any one of the Capital Contribution Conditions which shall be procured by Mianyang Xincheng has not been fulfilled before the Long Stop Date;
  - (c) Mianyang Xincheng may terminate the Investment Agreement by issuing a written termination notice to Beijing CHJ where any one of the Capital Contribution Conditions which shall be procured by Beijing CHJ has not been fulfilled before the Long Stop Date;
  - (d) the licence granted to Mianyang Xincheng under the BMW Licence Agreement and/or the Supplemental BMW Licence Agreement is terminated, and/or the licence granted to the JV Company under the Technology Licence Agreement is terminated on the ground of Mianyang Xincheng and Beijing CHJ serves a written notice to Mianyang Xincheng in this regard; or the licence granted to Mianyang Xincheng under the BMW Licence Agreement and/or the Supplemental BMW Licence Agreement is terminated, and/or the licence granted to the JV Company under the Technology Licence Agreement is terminated on the ground of the JV Company or Beijing CHJ, and Mianyang Xincheng serves a written notice to Beijing CHJ;
  - (e) the Lease Agreement is terminated on the ground of Mianyang Xincheng, and Beijing CHJ serves a written notice to Mianyang Xincheng;
  - (f) there is a change in control of either Party or either Party is sold as a whole, and the other Party serves a written notice to that Party;

- (g) either Party materially breaches the Investment Agreement or the articles of association of the JV Company and fails to fully remedy such material breach within thirty (30) days upon receipt of a written notice from the other Party or from the JV Company requesting relief, and the non-defaulting Party serves a written notice to that Party;
- (h) a liquidation committee is established by one Party in case of bankruptcy or any other similar proceeding against such Party or in respect of its assets or business or either Party ceases its business or is unable to pay its debts as they fall due, and the other Party serves a written notice to that Party;
- (i) except as permitted under the Investment Agreement, either Party transfers or proposes to transfer any equity in the JV Company, and the other Party serves a written notice to that Party;
- (j) any person or government authority takes steps to seize, compulsorily acquire, expropriate or nationalize all or substantially all of the assets of the JV Company or the assets necessary for conducting the business of the JV Company, and either Party serves a written notice to the other Party;
- (k) the JV Company becomes bankrupt or enters into liquidation or dissolution procedures, and either Party serves a written notice to the other Party;
- (l) the JV Company is unable to continue its operation because a force majeure event occurs and lasts for six (6) months or such other period as agreed by both Parties in writing, and either Party serves a written notice to the other Party;
- (m) the JV Company incurs substantial losses and both Parties unanimously believe that it is unable to continue its operations, and either Party serves a written notice to the other Party;

- (n) the business reputation of the JV Company is seriously damaged as a result of a breach of law, the Investment Agreement or the articles of association by either Party or a deviation from normal commercial practice and the JV Company is unable to continue its operation, and the non-defaulting Party serves a written notice to the other Party; or
- (o) the business licence of the JV Company is revoked or declared invalid or the JV Company is ordered to be dissolved as a result of a breach of laws of the PRC by either Party, and the non-defaulting Party serves a written notice to the other Party.

Where a Party serves a termination notice to the other Party stating its intention to terminate the Investment Agreement (the “**Intention to Terminate Notice**”), then:

- (a) within 30 days after the issuance of the Intention to Terminate Notice (the “**Negotiation Period**”), the Parties shall discuss on plans for one Party to purchase the equity interests of the other Party or for the disposal of the entire equity interests in the JV Company to a third party such that the JV Company could continue its operations;
- (b) if no agreement has been reached after the expiration of the Negotiation Period or the other Party refuses to commence negotiation within the Negotiation Period, the notifying Party may request to terminate the Investment Agreement by serving a notice of termination to the other Party.

Where the notifying Party issues a notice of termination, to the extent permitted by applicable PRC laws, one Party (the “**Offeror**”) may, within 30 days after the termination of the Investment Agreement, serves a written notice to the other Party (the “**Offeree**”) stating its intention to purchase the entire equity interests held by the Offeree in the JV Company at its intended purchase price (the “**Offer**”) and to continue to operate the JV Company. Where the Offer is not accepted by the Offeree within 15 days (the “**Offer Period**”) and no equity transfer agreement is entered into with a third party, the JV Company shall be subject to liquidation procedures after the 30th day after the expiry of the Offer Period.

If both Parties do not exercise their rights to make an Offer or the Offeree fails to accept the Offer within the Offer Period, both Parties shall, within 30 days from the expiry of the Offer Period, jointly seek to sell the equity interests in the JV Company to a third party at a price to be agreed by both Parties. Where no equity transfer agreement is entered into with a third party within the aforementioned 30-day period, the JV Company shall be subject to liquidation procedures.

## **INJECTION OF CONTRIBUTION ASSETS BY MIANYANG XINCHEN INTO JV COMPANY**

The Contribution Assets mainly comprise equipment and machinery and constructions-in-progress relating to CE assembly line and cylinder block machining line, with a total book value and appraised value of approximately RMB240,842,600 and RMB213,696,100 respectively.

The Company expects that the incidental disposal of the Contribution Assets will not result in any material financial impact to the Group. The Company will comply with the applicable Listing Rules for disclosure if such disposal will result in a material gain or loss to the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT**

The PRC has become the world's largest NEV market. In recent years, the PRC government has provided great support and implemented various favorable policies to drive the development of the NEV market. Purchasers of NEVs will benefit from vehicle-related tax exemptions in China and local government policies in favor of NEVs, such as no quota limitations for vehicle license plate application and exemption from traffic restrictions. Thus, the business of the JV Company will optimistically be supported.

The participation of Mianyang Xinchun in the JV Company is a strategic move of the Group to enter the NEV market in the PRC. The JV Company will at the same time serve as the platform for the long-term strategic cooperation between the Group and Beijing CHJ, which aims to provide a stable supply of range extender engines (which are equipped with BMW technology) for use in NEVs to be produced by Li Auto Inc.

The injection of the Contribution Assets by the Group will allow the JV Company to improve its operating efficiency and competitiveness and will therefore benefit the Group by way of profits to be shared from the JV Company.



Having considered the above, the Directors consider that the Investment Agreement and the transactions contemplated thereunder 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 Investment Agreement 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 Xinchun**

Mianyang Xinchun 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.

### **Beijing CHJ**

Beijing CHJ is a company established in the PRC and controlled by Li Auto Inc., a company listed on NASDAQ (NASDAQ: LI) and on the Stock Exchange (stock code: 2015), via a series of contractual arrangements. It is principally engaged in the design, research and development, and manufacturing of NEVs.

To the best of the Directors' knowledge, information and having made all reasonable enquiries, Beijing CHJ and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the formation of the JV Company are more than 25% while all applicable percentage ratios are less than 100%, the formation of the JV Company pursuant to the Investment Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, the injection of the Contribution Assets into the JV Company, which will not be accounted for as a subsidiary of the Company, is considered a disposal by the Group under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the injection of the Contribution Assets into the JV Company are more than 25% while all applicable percentage ratios are less than 75%, the injection of the Contribution Assets into the JV Company constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## EGM

The Company will convene and hold the EGM for the Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder (including but not limited to the formation of the JV Company and the injection of the Contribution Assets). A circular containing, among other things, further details of the Investment Agreement and the transactions contemplated thereunder and the notice convening the EGM, is expected to be despatched to the Shareholders on or before 30 September 2021.

**Shareholders and potential investors of the Company should note that the transactions contemplated under the Investment Agreement are subject to fulfilment (or, where applicable, waiver) of the Capital Contribution Conditions as set out in the section headed "Investment Agreement – Conditions for payment of registered capital" in this announcement. As the transactions contemplated under the Investment Agreement may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

"Beijing CHJ"	Beijing CHJ Automotive Technology Co., Ltd* (北京車和家汽車科技有限公司), a company established in the PRC and is a company controlled by Li Auto Inc., a company listed on NASDAQ (NASDAQ: LI) and on the Stock Exchange (stock code: 2015), via a series of contractual arrangements;
"BMW"	Bayerische Motoren Werke AKTIENGESELLSCHAFT;
"BMW Group"	BMW and its subsidiaries;
"BMW Licence Agreement"	the licence agreement dated 10 June 2015 entered into between Mianyang Xincheng and BMW whereby BMW has exclusively licensed the Prince Engine production to Mianyang Xincheng;
"Board"	the board of Directors;

“Capital Contribution Conditions”	has the meaning as defined in the paragraph headed “Investment Agreement—Conditions for payment of registered capital” in this announcement;
“Cash Contribution”	has the meaning as defined in the paragraph headed “Investment Agreement—Registered capital of the JV Company” in this announcement;
“CE15F Product(s)”	a kind of range extender engine which is customised by Mianyang Xinchun for Beijing CHJ based on the CE16 engine as licensed by BMW and is suitable for Beijing CHJ’s NEVs, such as the extended-range vehicles;
“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;
“Contribution Assets”	the assets to be contributed by Mianyang Xinchun towards the registered capital of the JV Company, particulars of which are set out in the paragraph headed “Injection of Contribution Assets by Mianyang Xinchun into JV Company” in this announcement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among others, the Investment Agreement and the transactions contemplated thereunder (including but not limited to the formation of the JV Company and the injection of the Contribution Assets);
“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 People’s Republic of China;
“Investment Agreement”	the investment agreement dated 27 August 2021 and entered into between Beijing CHJ and Mianyang Xinchun in relation to the formation of the JV Company;

“JV Board”	the board of directors of the JV Company;
“JV Company”	a limited liability company to be jointly formed by Mianyang Xinchun and Beijing CHJ in the PRC pursuant to the Investment Agreement;
“JV Production Plant”	has the meaning as defined in the paragraph headed “Investment Agreement—Lease of production plant” in this announcement;
“JV Shareholder(s)”	shareholder(s) of the JV Company, namely, Beijing CHJ and Mianyang Xinchun;
“Lease Agreement”	the lease agreement to be entered into between Mianyang Xinchun and the JV Company pursuant to which Mianyang Xinchun agrees to lease the JV Production Plant to the JV Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	has the meaning as defined in the paragraph headed “Investment Agreement—Conditions for payment of registered capital” in this announcement;
“Mianyang Xinchun”	Mianyang Xinchun 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;
“NEV(s)”	new energy vehicle(s);
“Party(ies)”	the party(ies) to the Investment Agreement, being Beijing CHJ and Mianyang Xinchun;
“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;

“Related Technology of Shared Components”	the transformation of BMW blueprints, or the direct use of the related technology of the shared components of CE16 and CE18;
“Related Technology of Specific Components”	the transformation of non-BMW blueprints of CE15F Products, or the indirect use of the related technology of the shared components of CE16 and CE18;
“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;
“Supplemental BMW Licence Agreement”	the supplemental agreement to the BMW Licence Agreement to be entered into between Mianyang Xincheng and BMW;
“Technology Licence Agreement”	the technology licence agreement to be entered into between Mianyang Xincheng and the JV Company pursuant to which Mianyang Xincheng shall sub-license the Related Technology of Shared Components to the JV Company for use and production;
“Technology Transfer Agreement”	the technology transfer agreement to be entered into between Mianyang Xincheng and the JV Company pursuant to which Mianyang Xincheng shall transfer the Related Technology of Specific Components to the JV Company in such manner as prescribed by the relevant law; and
“%”	per cent.

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

Hong Kong, 27 August 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 purposes only*