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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xincheng China Power Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 24 of this circular. A notice convening the Extraordinary General Meeting to be held at Victoria Room, 2nd Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Tuesday, 16 November 2021 at 9:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the pandemic of COVID-19, the following precautionary measures will be implemented at the Extraordinary General Meeting (or any adjournment thereof) to protect the Shareholders from the risk of infection (please refer to Note 7 to the Notice of Extraordinary General Meeting set out on pages EGM-3 to EGM-4 of this circular for details):

- **compulsory body temperature check and submission of health declaration form**
- **compulsory wearing of surgical face mask**
- **no provision of refreshment and drinks and no distribution of gift**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the meeting instead of attending the meeting in person.

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“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 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 Xinchun and BMW whereby BMW has exclusively licensed the Prince Engine production to Mianyang Xinchun;
“Board”	the board of Directors;
“Capital Contribution Conditions”	has the meaning as defined in the paragraph headed “Letter from the Board – Investment Agreement – Conditions for payment of registered capital” in this circular;
“Cash Contribution”	has the meaning as defined in the paragraph headed “Letter from the Board – Investment Agreement – Registered capital of the JV Company” in this circular;
“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;
“close associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“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 with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;

DEFINITIONS

“Contribution Assets”	the assets to be contributed by Mianyang Xincheng towards the registered capital of the JV Company, particulars of which are set out in the paragraph headed “Letter from the Board – Injection of Contribution Assets by Mianyang Xincheng into JV Company” in this circular;
“Director(s)”	the director(s) of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held at Victoria Room, 2nd Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Tuesday, 16 November 2021 at 9:00 a.m. for considering and, if thought fit, approving, among other things, 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;
“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 Xincheng 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 Xincheng and Beijing CHJ in the PRC pursuant to the Investment Agreement;
“JV Production Plant”	has the meaning as defined in the paragraph headed “Letter from the Board – Investment Agreement – Lease of production plant” in this circular;
“JV Shareholder(s)”	shareholder(s) of the JV Company, namely, Beijing CHJ and Mianyang Xincheng;
“Latest Practicable Date”	22 October 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular;

DEFINITIONS

“Lease Agreement”	the lease agreement to be entered into between Mianyang Xincheng and the JV Company pursuant to which Mianyang Xincheng 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 “Letter from the Board – Investment Agreement – Conditions for payment of registered capital” in this circular;
“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;
“NEV(s)”	new energy vehicle(s);
“Party(ies)”	the party(ies) to the Investment Agreement, being Beijing CHJ and Mianyang Xincheng;
“PRC”	the People’s Republic of China, which, for the purposes of this circular 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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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;

DEFINITIONS

“Supplemental BMW Licence Agreement”	the supplemental agreement to the BMW Licence Agreement to be entered into between Mianyang Xinchun and BMW;
“Technology Licence Agreement”	the technology licence agreement to be entered into between Mianyang Xinchun and the JV Company pursuant to which Mianyang Xinchun 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 Xinchun and the JV Company pursuant to which Mianyang Xinchun shall transfer the Related Technology of Specific Components to the JV Company in such manner as prescribed by the relevant law;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

* *for identification purposes only*

LETTER FROM THE BOARD

POWER XINCHEN

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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)

Executive Directors:

Mr. Wu Xiao An

(also known as Mr. Ng Siu On)

(Chairman)

Mr. Wang Yunxian *(Chief Executive Officer)*

Non-executive Directors:

Ms. Ma Nina

Mr. Yang Ming

Independent Non-executive Directors:

Mr. Chi Guohua

Mr. Wang Jun

Mr. Huang Haibo

Mr. Wang Songlin

Registered office:

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Head office and principal

place of business:

Suites 1602-05

Chater House

8 Connaught Road Central

Hong Kong

28 October 2021

To all Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS:

(1) FORMATION OF JOINT VENTURE COMPANY

AND

(2) INJECTION OF ASSETS INTO JOINT VENTURE COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 27 August 2021 in relation to, among others, the Investment Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further details of 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); (ii) financial and other information of the Group; and (iii) a notice of the Extraordinary General Meeting.

INVESTMENT AGREEMENT

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

Date	:	27 August 2021
Parties	:	(1) Beijing CHJ; and (2) Mianyang Xinchun
Name and form of the JV Company	:	Sichuan Li Xinchun 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 Xinchun 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.

LETTER FROM THE BOARD

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 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.

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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 Xincheng 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 Xincheng 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;

LETTER FROM THE BOARD

- (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;

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- (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;

LETTER FROM THE BOARD

- (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.

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Mianyang Xinchun 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 Xinchun 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 Xinchun 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 Xinchun 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.

As at the Latest Practicable Date, the Capital Contribution Conditions (a), (b), (h) and (j) had been fulfilled, while Mianyang Xinchun and Beijing CHJ were procuring the satisfaction of the other Capital Contribution Conditions.

- 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;

LETTER FROM THE BOARD

- (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-thirds 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 Xinchun 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:

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 Latest Practicable Date, the terms of the Lease Agreement were 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 Latest Practicable Date, the terms of the Technology Transfer Agreement and the Technology Licence Agreement were 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.

LETTER FROM THE BOARD

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 interests in the JV Company : 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;

LETTER FROM THE BOARD

- (b) Beijing CHJ may terminate the Investment Agreement by issuing a written termination notice to Mianyang Xinchun where any one of the Capital Contribution Conditions which shall be procured by Mianyang Xinchun has not been fulfilled before the Long Stop Date;
- (c) Mianyang Xinchun 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 Xinchun 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 Xinchun and Beijing CHJ serves a written notice to Mianyang Xinchun in this regard; or the licence granted to Mianyang Xinchun 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 Xinchun serves a written notice to Beijing CHJ;
- (e) the Lease Agreement is terminated on the ground of Mianyang Xinchun, and Beijing CHJ serves a written notice to Mianyang Xinchun;
- (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;

LETTER FROM THE BOARD

- (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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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, serve 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 equipment and machinery is composed of (i) the component units that make up or are to be assembled into the relevant assembly lines and (ii) related ancillary equipment, whereas the constructions-in-progress are related to the assembling and installation of the equipment and machinery.

LETTER FROM THE BOARD

Particulars of the equipment and machinery (including constructions-in-progress in relation to them) comprising the Contribution Assets are set out in the following table:

Equipment and machinery (including constructions-in-progress in relation to them)	Book value (RMB) <i>Approximate</i>	Appraised Value (RMB) <i>Approximate</i>
– Assembly line	115,447,700	97,001,500
– Machining equipment	78,840,300	75,009,900
– Laboratory equipment	25,613,400	22,924,900
– Calibration tool	<u>20,941,200</u>	<u>18,759,800</u>
Total:	<u>240,842,600</u>	<u>213,696,100</u>

The above appraised values, which were prepared using cost approach, are extracted from the valuation report on the Contribution Assets issued by Zhongshuizhiyuan Assets Appraisal Co., Ltd, a qualified valuer in the PRC, with a valuation date of 31 May 2021. An extract of the valuation report is set out in Appendix II.

The amount of RMB228,668,500 to be reckoned by the injection of the Contribution Assets towards the registered capital of the JV Company was arrived at by reference to the appraised value of approximately RMB213,696,100, as adjusted by (i) adding the amount of value added tax to be actually paid by Mianyang Xincheng upon the transfer of the Contribution Assets of approximately RMB27,782,400 and (ii) subtracting an amount of approximately RMB12,810,000 which is the total of invoiced but unpaid costs (which only include invoices whose unpaid amount equals or exceeds RMB500,000) for the Contribution Assets which are originally payable by Mianyang Xincheng but will be borne by the JV Company upon the injection of the Contribution Assets.

Taking into account the foregoing basis, the Directors consider that the amount of RMB228,668,500 to be contributed by Mianyang Xincheng through the injection of the Contribution Assets towards the registered capital of the JV Company is fair and reasonable.

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.

LETTER FROM THE BOARD

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 NEV 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 Xincheng 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. Upon establishment, the investment in the JV Company will be recorded as an investment in associate in the Company's financial statements and will be accounted for using the equity method of accounting.

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 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.

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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.

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.

EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting at which ordinary resolution will be proposed to consider and, if thought fit, to 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) to be held at Victoria Room, 2nd Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Tuesday, 16 November 2021 at 9:00 a.m., is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjourned meeting (as the case

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may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting (as the case may be) should you so wish.

In accordance with the requirements of the Listing Rules, the resolution to be put forward at the Extraordinary General Meeting will be voted on by the Shareholders by way of poll.

As at the Latest Practicable Date, to the best knowledge of the Directors having made all reasonable enquiries, no Shareholder had a material interest in the Investment Agreement and would be required to abstain from voting on the ordinary resolution to be proposed at the Extraordinary General Meeting in respect of the Investment Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the Investment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Investment Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

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

* for identification purposes only

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 December 2018, 2019 and 2020 are set out in the Company's annual reports for the year ended 31 December 2018 (from pages 67 to 148), for the year ended 31 December 2019 (from pages 65 to 134) and for the year ended 31 December 2020 (from pages 69 to 136) respectively.

All the above annual reports of the Company have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.xinchenpower.com).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had total indebtedness of approximately RMB1,216,673,000 as summarized below:

Borrowings

The Group had total outstanding borrowings of approximately RMB1,216,673,000, further details of which are set out below:

- (1) bank borrowings of the Group with the total amount of approximately RMB636,673,000, of which approximately RMB272,108,000 were unsecured, and approximately RMB364,565,000 were secured by property, plant and equipment, prepaid lease payment and receivables of the Group. Amongst these bank borrowings, borrowings with the total carrying amount of approximately RMB636,673,000 were guaranteed; and
- (2) other borrowings of the Group with total amount of approximately RMB580,000,000 of which approximately RMB80,000,000 were unsecured but guaranteed, and approximately RMB500,000,000 were secured by property, plant and equipment and prepaid lease payment of the Group.

Pledged of assets

The Group had total outstanding borrowings of approximately RMB364,565,000 which were secured by property, plant and equipment, prepaid lease payment and receivables of the Group. The carrying amount of the pledged assets amounted to approximately RMB217,861,000.

Lease liabilities

The Group had total outstanding lease liabilities of approximately RMB6,227,000, of which approximately RMB3,318,000 are due within 1 year, approximately RMB2,171,000 are due more than 1 year but not exceeding 2 years, approximately RMB738,000 are due more than 2 years but not exceeding 5 years.

Save as aforesaid and apart from intra-group liabilities, normal trade payables and contract liabilities in the normal course of business, at the close of business on 31 August 2021, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the transactions contemplated under the Investment Agreement, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular in the absence of any unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As set out in the interim report of the Company for the six months ended 30 June 2021, the first half results of 2021 showed a rebound in terms of revenue and the profit attributable to shareholders. The increase in revenue and profits was mainly attributable to the sales of crankshafts business, whilst the traditional engines sales remained stable. In order to pursue a sustainable and long term business goals of the Group under the ever-changing automobile market in China, the Group steers towards the market with the latest policies implemented favorably by the PRC government, in particular, the NEV market. Notably, the semi-annual NEV sales rocketed over 200% year-on-year to 1.2 million units, which approached almost the full-year volume for the year of 2020. This strong evidence strengthens the Group's focus on developing its NEV-compatible CE engine which are used in the range extender of the electric drive system for the next generation of NEVs. The Group strives to tap into the NEV segment by establishing stable business relationship with NEV partners in order to optimize the Group's product portfolio, putting more focus on high-end NEV products, and aiming at providing more stable return to its shareholders.

The Group always takes into account the business environment in China to be highly competitive and challenging in the years ahead. Keen competitive business environment will continue to drive the automobile related enterprises in formulating appropriate business and market strategies in response to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group is full of confidence and considers that the existing challenges can be overcome by effective strategies in the long run.

Despite the challenges and difficulties faced under the current market economy environment and the Covid-19 pandemics, the Group expects the China economy will continue to expand moderately. Rising income of the general public attributable to the sustained economic growth will inevitably encourage demands for more advanced motor vehicles and provide promising business opportunities. Looking ahead, the Group expects appropriate business strategies and the continuous economic growth in China will continue to bring business opportunities to our engines and engine components businesses. In response to the dynamic and challenging market situation, the Group will continue to implement various ongoing capacity expansion programs on a timely basis so as to cope with the growing demands from the customers. In addition, the Group will also continue to undertake technical reengineering, upgrading and integration programs to further enhance its product quality and technical scalability so as to stay competitive in the industry.

5. EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE INVESTMENT AGREEMENT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon the establishment of the JV Company, the Group does not have the rights to appoint a majority of its board of directors and has no control over its shareholders' meetings. The JV Company will not become a subsidiary of the Group and will not be consolidated into the accounts of the Group. It is estimated that there would be certain decrease in value in the total assets of the Group as a result of the establishment of the JV Company (including the injection of the Contribution Assets) as there would be a non-cash fair value loss of approximately RMB5.0 million upon injection of the Contribution Assets into the JV Company. In the future, the profits or losses after taxation in respect of the JV Company will be shared by Beijing CHJ and the Group in proportion to their respective equity interests in the JV Company.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

The following information are extracted from the full valuation report received from Zhongshuizhiyuan Assets Appraisal Co., Ltd, a qualified valuer in the PRC, in connection with its valuation as at 31 May 2021 of the Contribution Assets for the purpose of inclusion in this Circular.

**Extract of the Asset Valuation Report on
Relevant Equipment Subject to Valuation
Regarding the Production of “Prince Engine” of Power Xincheng
by a Joint Venture Proposed to be Established by
北京車和家汽車科技有限公司
(Beijing CHJ Automotive Technology Co., Ltd.)
and Mianyang Xincheng Engine Co., Ltd.**

Zhongshuizhiyuan Ping Bao Zi [2021] No. 030031

Zhongshuizhiyuan Assets Appraisal Co., Ltd. was jointly engaged by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. to conduct a market valuation regarding the relevant equipment which are used to produce “Prince Engine” of Power Xincheng with the valuation date as at 31 May 2021 for a joint venture to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. The main content of this asset valuation report is summarized as follows:

I. Purpose of valuation: A joint venture is proposed to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd., which requires a valuation on the market value as at the valuation date of relevant equipment regarding the production of “Prince Engine” proposed to be contributed in the form of equipment assets by Power Xincheng. The valuation provides a reference for the market value of the equipment assets recognized by both parties for capital contribution.

II. Subject and scope of valuation: The subject under valuation is the market value of the equipment assets proposed to be used for capital contribution by Mianyang Xincheng Engine Co., Ltd.. The scope of valuation is the equipment assets involved in the equipment list jointly confirmed by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd., including 85 items of machinery and equipment with an original book value of RMB213,870,658.64 and a net book value of RMB155,897,939.10; and 31 items of “construction in progress – equipment installation” with a book value of RMB84,944,719.81.

III. Type of value: The type of value of valuation conclusion in this valuation report is market value.

IV. Valuation date: 31 May 2021.

V. Valuation method: The asset-based approach was used as the only valuation method.

VI. Valuation conclusion: Upon valuation, under the assumptions of this report, the market value as at the valuation date of 31 May 2021 of relevant equipment regarding the production of “Prince Engine” of Power Xincheng by a joint venture proposed to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. is **RMB213,696,100 (excluding VAT), which is written in capital letters as: RENMINBI TWO HUNDRED AND THIRTEEN MILLION AND SIX HUNDRED AND NINETY SIX THOUSAND AND ONE HUNDRED ONLY.**

VII. Validity period of the valuation conclusion: According to the relevant regulations, the valuation conclusion of this report shall be valid for one year, i.e. from 31 May 2021 to 30 May 2022.

VIII. Special matters affecting the valuation conclusion: When using the valuation conclusion, users of the valuation report are advised to pay attention to the valuation assumptions and restrictions and special notes in the text of the report and their impact on the valuation conclusion, and to give full consideration of these factors.

The above content is extracted from the text of the asset valuation report. For details of this valuation business and the correct understanding of the use of valuation conclusion, please read the text of the asset valuation report.

**Text of the Asset Valuation Report on
Relevant Equipment Items Subject to Valuation
Regarding the Production of “Prince Engine” of Power Xincheng
by a Joint Venture Proposed to be Established by
北京車和家汽車科技有限公司
(Beijing CHJ Automotive Technology Co., Ltd.)
and Mianyang Xincheng Engine Co., Ltd.**

Zhongshuizhiyuan Ping Bao Zi [2021] No. 030031

Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd.:

Zhongshuizhiyuan Assets Appraisal Co., Ltd. was engaged by the Company to adopt the asset-based approach as the only valuation method in accordance with the laws, administrative regulations and asset valuation standards and the principles of independence, objectiveness and fairness, and to perform necessary valuation procedures on the market value as at the valuation date of 31 May 2021 of relevant equipment regarding the production of “Prince Engine” of Power Xincheng by a joint venture proposed to be established by the Company. The asset valuation is reported as follows:

I. PRINCIPAL, ENTITY SUBJECT TO VALUATION AND USERS (OTHER THAN THE PRINCIPAL) OF VALUATION REPORT

(I) Profile of the principal

The principals of this project are Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd..

1. Beijing CHJ Automotive Technology Co., Ltd.

Company name	:	Beijing CHJ Automotive Technology Co., Ltd.
USCI	:	91110113MA0213MR3E
Address	:	Room 107, Block 1, Yard 4, Hengxing Road, Gaoliying Town, Shunyi District, Beijing (Science and Technology Innovation Function Zone)
Legal representative	:	Li Xiang
Registered capital	:	RMB546,000,000
Type of company	:	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal person(s))

APPENDIX II VALUATION REPORT ON CONTRIBUTION ASSETS

Date of establishment	:	22 March 2021
Term of operation	:	Starting from 22 March 2021, without a fixed term
Scope of business	:	Internet information services. 【Excluding items subject to Special Administrative Measures for Access of Foreign Investment (Negative List for Access of Foreign Investment)】 ; technology development, technology transfer, technology consultation, technology services; software development; basic software services; application software services; economic and trading consultation; conference services; hosting exhibition and display activities; market research; car rental (excluding passenger cars with more than nine seats); sales of automobile spare parts; data processing (excluding bank card centers and cloud computing data with a PUE value above 1.5 in data processing); computer system services; corporate management consultation; manufacturing of new energy smart vehicles; manufacturing of modified new energy smart vehicles and mobile charging vehicles for new energy vehicles; manufacturing powertrain systems of new energy smart vehicles; manufacturing of key components and accessories for new energy smart vehicles; manufacturing of smart on-board equipment (excluding production and manufacturing processes with high pollution and high environmental risks); engineering and technology research and experimental development; product design. (Market players shall select the business items and carry out business activities independently according to the laws. Internet information services and items subject to approval according to the laws shall be carried out in accordance with the approved details upon approval by relevant authorities. Business activities prohibited and restricted by the State and municipal industrial policies shall not be carried out.)

2. Mianyang Xincheng Engine Co., Ltd.

Company name : Mianyang Xincheng Engine Co., Ltd.

USCI : 91510700708958281W

Address : No. 69, Xingchang Avenue, Gaoxin District,
Mianyang, Sichuan Province

Legal representative : Han Song

Registered capital : US\$100,000,000

Type of company : Limited liability company (solely invested by
foreign legal persons)

Date of establishment : 23 March 1998

Term of operation : From 23 March 1998 to 22 March 2048

Scope of business : Design and manufacturing of internal combustion
engines and other power machineries and sale of
the Company's product and related after-sales
services. (Items subject to approval according to
the laws may only be carried out upon approval by
relevant authorities.)

(II) Overview of the entity subject to valuation**1. Basic information of business registration**

Company name : Mianyang Xincheng Engine Co., Ltd.

USCI : 91510700708958281W

Address : No. 69, Xingchang Avenue, Gaoxin District,
Mianyang, Sichuan Province

Legal representative : Han Song

Registered capital : US \$100,000,000

APPENDIX II VALUATION REPORT ON CONTRIBUTION ASSETS

Type of company	:	Limited liability company (solely invested by foreign legal persons)
Date of establishment	:	23 March 1998
Term of operation	:	From 23 March 1998 to 22 March 2048
Scope of business	:	Design and manufacture of internal combustion engines and other power machinery, sales of the Company's products and related after-sales services. (Items subject to approval according to law may only be carried out upon approval by relevant authorities)

(III) Other users of the asset valuation report as agreed in the asset valuation engagement contract

Users of this valuation report are the principal and the users of the asset valuation report as required by the laws and administrative regulations.

Unless otherwise required by national laws and regulations, any institution or individual that has not been confirmed by the asset valuer and the principal shall not become a user of the asset valuation report only by virtue of obtaining the valuation report.

(IV) Relationship between the principal and the entity subject to valuation

Beijing CHJ Automotive Technology Co., Ltd., and Mianyang Xincheng Engine Co., Ltd., as the principals, intend to establish a joint venture.

II. PURPOSE OF VALUATION

A joint venture is proposed to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd., which requires a valuation on the market value as at the valuation date of relevant equipment regarding the production of "Prince Engine" proposed to be contributed in the form of equipment assets by Power Xincheng. The valuation provides a reference for the market value of the equipment assets recognized by both parties for capital contribution.

III. SUBJECT AND SCOPE OF VALUATION

(I) Subject under valuation

The subject under valuation is the market value of the equipment assets proposed to be used for capital contribution by Mianyang Xincheng Engine Co., Ltd..

APPENDIX II VALUATION REPORT ON CONTRIBUTION ASSETS

(II) Basic information of assets and liabilities within the scope of valuation

The scope of valuation is the equipment assets involved in the equipment list jointly confirmed by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd., including 85 items of machinery and equipment with an original book value of RMB213,870,658.64 and a net book value of RMB155,897,939.10; and 31 items of “construction in progress – equipment installation” with a book value of RMB84,944,719.81.

The subject and scope of valuation engaged above are consistent with the subject and scope of valuation involved in the economic activities.

(III) Details of major assets

1. Fixed assets: the objects under valuation are mainly equipment assets.

Item name	Original book value <i>(RMB 0'000)</i>	Net book value <i>(RMB 0'000)</i>
Equipment assets	21,387.07	15,589.79

2. Construction in progress: the objects under valuation are mainly equipment assets under construction of Mianyang Xincheng Engine Co., Ltd.

(IV) Type and quantity of off-balance sheet assets declared by the enterprise

None

(V) Engagement of services from experts

None

IV. TYPE OF VALUE

According to the purpose of this valuation, the type of value is determined as the market value.

A market value refers to the estimated amount for which the subject under valuation should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, wherein both parties had acted rationally and without compulsion.

The selection of market value as the type of value in this valuation is in compliance with the principle that the type of value is consistent with the purpose of valuation. Taking such factors as market situations and the conditions of valuation target into full consideration, the type of value of the valuation conclusion was determined by the asset valuer when accepting the engagement of the principal.

V. VALUATION DATE

The valuation date of this project is 31 May 2021, which is determined by the principals.

The reasons for selecting the particular valuation date are:

- (I) The valuation date is in line with the needs of relevant economic activities and is conducive to the realization of the purpose of valuation.
- (II) The valuation date is the year end date of the accounting year of the entity subject to valuation, thus facilitating the asset valuer to make full use of the existing financial information of the enterprise and the completion of the valuation.

VI. BASIS OF VALUATION

The basis of valuation followed by this asset valuation mainly includes the basis of economic activities, the basis of laws and regulations, the basis of valuation standards, the basis of asset ownership, and the basis of pricing and other reference used in the valuation and estimation. Details are as follows:

(I) Basis of economic activities

- 1. “Joint Venture Project Framework Agreement” entered into between Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. (22 January 2021);

(II) Basis of laws and regulations

- 1. “Asset Valuation Law of the People’s Republic of China”(中華人民共和國資產評估法)(effective from 1 December 2016);
- 2. “Administration Measures for Financial Supervision of the Asset Valuation Industry”(資產評估行業財政監督管理辦法)(amended by the Ministry of Finance on 2 January 2019);
- 3. “Company Law of the People’s Republic of China”(中華人民共和國公司法)(4th amendment at the 6th meeting of the Standing Committee of the 13th National People’s Congress on 26 October 2018);

APPENDIX II VALUATION REPORT ON CONTRIBUTION ASSETS

4. “Securities Law of the People’s Republic of China”(中華人民共和國證券法)(2nd revision at the 15th meeting of the 13th Standing Committee of the National People’s Congress on 28 December 2019);
5. “Property Law of the People’s Republic of China”(中華人民共和國物權法)(passed at the 5th meeting of the 10th National People’s Congress on 16 March 2007);
6. “Accounting Standards for Business Enterprises”(企業會計準則) and other relevant accounting systems;
7. “Interim Regulations on Value-added Tax of the People’s Republic of China”(中華人民共和國增值稅暫行條例)(Order No. 691 of the State Council of the People’s Republic of China);
8. “Detailed Rules for the Implementation of the Interim Regulations on Value-added Tax of the People’s Republic of China”(中華人民共和國增值稅暫行條例實施細則)(Order No. 50 of the Ministry of Finance and the State Administration of Taxation; amendment to Order No. 65 of the Ministry of Finance and the State Administration of Taxation on 28 October 2011);
9. “Announcement on Relevant Policies for Deepening the Reform of Value-Added Tax”(關於深化增值稅改革有關政策的公告)(No. 39 of 2019 Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);
10. Other relevant laws, regulations and notice documents.

(III) Basis of valuation standards

1. “Basic Standards for Asset Valuation”(資產評估基本準則)(Cai Zi [2017] No. 43);
2. “Code of Ethics for Asset Valuation”(資產評估職業道德準則)(Zhong Ping Xie [2017] No. 30);
3. “Practice Guidelines for Asset Valuation – Asset Valuation Procedures”(資產評估執業準則—資產評估程序)(Zhong Ping Xie [2018] No. 36);
4. “Practice Guidelines for Asset Valuation – Asset Valuation Report”(資產評估執業準則—資產評估報告)(Zhong Ping Xie [2018] No. 35);
5. “Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract”(資產評估執業準則—資產評估委託合同)(Zhong Ping Xie [2017] No. 33);

6. “Practice Guidelines for Asset Valuation – Asset Valuation Files”(資產評估執業準則—資產評估檔案)(Zhong Ping Xie [2018] No. 37);
7. “Practice Guidelines for Asset Valuation – Machinery and Equipment”(資產評估執業準則—機器設備)(Zhong Ping Xie [2017] No. 39);
8. “Practice Guidelines for Asset Valuation – Asset Valuation Methods”(資產評估執業準則—資產評估方法)(Zhong Ping Xie [2019] No. 35);
9. “Guidelines for Quality Control of Business of Asset Valuer”(資產評估機構業務質量控制指南)(Zhong Ping Xie [2017] No. 46);
10. “Guiding Opinions on Types of Value under Asset Valuation”(資產評估價值類型指導意見)(Zhong Ping Xie [2017] No. 47);
11. “Guiding Opinions on Legal Ownership of Asset Valuation Target”(資產評估對象法律權屬指導意見)(Zhong Ping Xie [2017] No. 48);
12. “Practice Guidelines for Asset Valuation – Asset Valuation Methods”(資產評估執業準則—資產評估方法)(Zhong Ping Xie [2019] No. 35).

(IV) Basis of asset ownership

1. Business license of enterprise legal persons;
2. Major asset purchase contracts or evidence;
3. Other contracts, accounting evidence, accounting statements and other information related to the acquisition and use of the enterprise assets.

(V) Basis of pricing

1. Statistical analysis of the national macro-economy, the industry, the regional market and the enterprise;
2. Financial statements and breakdown of financial statements as at the valuation date;
3. Depreciation method of fixed assets of the enterprise;
4. Financial accounting system of the enterprise;
5. Contracts, evidence, invoices, payment evidence, etc. provided by the enterprise;
6. Current national and local tax policies and regulations;

7. 2021 Quotation System of Mechanical and Electrical Products;
8. Effective loan interest rate of the enterprise;
9. Other information obtained after investigation by the asset valuation professionals.

(VI) Other references

1. List of assets and valuation declaration form jointly confirmed by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd.;
2. “Manual of Common Data and Parameters Used in Asset Valuation”(資產評估常用數據與參數手冊);
3. Equipment purchase contracts, transformation contracts and technical consultation contracts provided by the enterprise;
4. Market research information prepared by asset valuation professionals;
5. Relevant information provided by on-site inspection of asset valuation professionals;
6. Relevant materials provided by relevant departments and personnel of the enterprise;
7. Statistics and technical standards issued by relevant departments, and relevant macroeconomic, industry analysis and market information and other relevant information collected by the asset valuer.

VII. VALUATION METHOD

According to the “Practice Guidelines for Asset Valuation – Machinery and Equipment”, the applicability of the three basic asset valuation methods, namely the cost method, the market method and the income method, are analyzed and appropriately selected based on the valuation target, type of value, information collection and other relevant conditions.

The machinery and equipment involved in this valuation is the whole production line. Since the enterprise incurred continuous losses due to insufficient job orders in the past years, and the construction in progress (production capacity of cylinder block production line is 100,000 units/year) did not match the assembly line (200,000 units/year), existing production lines are in need of major adjustments to meet the production demand of the joint venture, so that the income of the enterprise in the future years cannot be reasonably estimated. Therefore, the income method is not applicable in this valuation. Meanwhile, the market method is not applicable as there is no comparable second-hand market transaction case of the same model and function. According to the purpose of this valuation, based on the principle of continuous use and taking the characteristics of the equipment subject to valuation and the information collected into consideration, the replacement cost method is suitable for this valuation.

Machinery & equipment

1. *Determination of full replacement price of machinery and equipment purchased in China*

Full replacement price = purchase price + shipping fee + installation and commissioning fee + other expenses + capital cost – VAT

(1) Purchase price

The purchase price is mainly determined based on the equipment purchase contract, the price index and the inquiry of the quotation system of mechanical and electrical products.

(2) Shipping and miscellaneous fees

First, we will check whether the shipping fee is included in the equipment purchase price. If not, we will calculate the shipping and miscellaneous fees at different rates with reference to the distance between the equipment manufacturer and the location of the equipment with the equipment purchase price as a base.

(3) Installation and commissioning fees

First, we will check whether the installation and commissioning fees are included in the equipment purchase price. If not, it will be calculated at different rates with reference to the characteristics, weight and difficulty in the installation of equipment with the equipment purchase price as a base.

(4) Preliminary expense

It shall be determined in accordance with relevant national regulations, relevant charging documents and the actual situation of the enterprise.

(5) *Capital Cost*

The loan interest rate shall be the LPR for the corresponding period of 1 month immediately preceding the valuation date + the floating rate agreed in the enterprise loan contract, and is calculated with the assumption that the capital will be evenly injected throughout the construction period.

$$\text{Capital cost} = \text{Total investment} \times \text{loan interest rate} \times \text{construction period} \times 1/2$$

(6) *VAT*

VAT will be charged at the following rates: 13% of the purchase price, 9% of the shipping and miscellaneous fees, 9% of the installation and commissioning fees and 6% of the preliminary and other expenses (after deducting the management fee of the construction entity).

2. *Determination of full replacement price of imported equipment*

Full replacement price = CIF price of equipment + tariff + VAT + foreign trade handling fee + bank handling fee + domestic shipping and miscellaneous fees + installation and commissioning fees + other expense + capital cost – value-added tax

(1) *CIF price of equipment*

It is the purchase price determined in the imported equipment purchase contract. If it is denominated in a foreign currency, the amount shall be converted into Renminbi at the quoted foreign exchange rate of the foreign currency against Renminbi on the valuation date.

(2) *FOB price of equipment*

It is the freight on board of imported equipment. Its conversion relationship with the CIF price of imported equipment is:

$$\text{FOB price} = \text{CIF price} \div (1 + \text{sea freight rate}) \div (1 + \text{foreign insurance rate})$$

Sea freight rate: Off-shore – generally 5%~8%; near-shore – generally 3%~4%

Foreign insurance rate: generally 0.4%

(3) *Tariff*

The tax base for tariff is the CIF price of equipment, which is calculated as:

$$\text{Tariff} = \text{CIF price} \times \text{tariff rate}$$

APPENDIX II VALUATION REPORT ON CONTRIBUTION ASSETS

The tariff rate is based on the import tariff rates published by the State.

(4) *VAT*

The tax base for VAT is CIF price of equipment + tariff, which is calculated as:

$$\text{VAT} = (\text{CIF price of equipment} + \text{tariff}) \times \text{VAT rate}$$

(5) *Foreign trade handling fee*

The charging base for foreign trade handling fee is the CIF price of equipment in Renminbi, which is calculated as:

$$\text{Foreign trade handling fee} = \text{CIF price of equipment} \times \text{foreign trade handling fee rate}$$

The foreign trade handling fee rate is generally 1% ~ 1.5%.

(6) *Bank handling fee*

The charging base for bank handling fee is the FOB price of equipment in Renminbi, which is calculated as:

$$\text{Bank handling fee} = \text{FOB price} \times \text{the quoted exchange rate of Renminbi on the base date} \times \text{bank handling fee rate}$$

The prevailing bank handling fee rate in China is generally 0.4% ~ 0.5%.

(7) *Domestic shipping and miscellaneous fees*

It is calculated at different rates with reference to the distance between the inbound customs control point of equipment and the location of equipment with the sum of CIF price of equipment, tariff, value-added tax, foreign trade handling fee and bank handling fee as a base.

(8) *Installation and commissioning fees*

First, we will check whether the installation and commissioning fee is included in the equipment purchase price. If not, it will be calculated at different rates with reference to the characteristics, weight and difficulty in the installation of equipment with the equipment purchase price as a base.

(9) *Preliminary expense*

It shall be determined in accordance with relevant national regulations, relevant charging documents and the actual situation of the enterprise.

(10) Capital Cost

The loan interest rate shall be the LPR for the corresponding period of 1 month immediately preceding the valuation date + the floating rate agreed in the enterprise loan contract, and is calculated with the assumption that the capital will be evenly injected throughout the construction period.

$$\text{Capital cost} = \text{Total investment} \times \text{loan interest rate} \times \text{construction period} \times 1/2$$

(11) VAT

The VAT paid at the time of inbound customs control shall be regarded as the VAT of the equipment. It will be charged at the following rates: 9% of the shipping and miscellaneous fees, 9% of the installation and commissioning fees and 6% of the preliminary and other expenses (after deducting the management fee of the construction entity).

3. *Determination of residual ratio*

The residual ratio of machinery and equipment is determined by the useful life method.

The serviced life and economic life of machinery and equipment are determined after examining relevant information, for the sake of determining the residual ratio under the useful life method as follow:

$$\text{Residual ratio under the useful life method} = (\text{economic life} - \text{serviced life}) \div \text{economic life} \times 100\%$$

4. *Determination of valuation*

$$\text{Valuation} = \text{full replacement price} \times \text{residual ratio}$$

Construction in progress

The cost method is adopted for the valuation of construction in progress within the scope of this valuation.

1. *Construction in progress in production – Equipment installation project*

For the construction in progress – equipment installation works that have been put into operation, the valuation is determined according to the valuation method of machinery and equipment.

2. Construction in progress not in production – Equipment installation works

The appraisers verified the relevant ledgers, accounting vouchers and other information on site, conducted inquiries and on-site verification with the project technicians and other relevant personnel, and confirmed that the progress and actual payment of the construction in progress subject to valuation were in line with the book value, which basically reflects the acquisition and construction costs on the valuation date. Equipment fees, installation fees and other fees are recognized according to the actual situation of the construction in progress according to the respective verified amounts. The capital cost is calculated at the LPR for the corresponding period of 1 month immediately preceding the valuation date + upward adjustment agreed in the enterprise loan contract with reference to the actual amount paid by the enterprise with a reasonable construction period, and is calculated with the assumption that the capital will be evenly injected. The valuation is the sum of equipment fees, installation fees and other fees and capital costs.

VIII. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES

The asset valuation professionals have conducted valuation on the assets and liabilities of the valuation target. The implementation process of valuation procedures is summarized as follows:

(I) Specifying the basic matters of the valuation business

The person in charge of business of the Company discussed with the representative of the principals to clearly specify the principals, the entity subject to valuation and the users of the asset valuation report other than the principals as agreed in the asset valuation engagement contract; the purpose of valuation; the subject and scope of valuation; the type of value; the valuation date; the restriction on the use of the valuation report; the time and manner of delivery of the valuation report; the total fee of valuation service; the payment schedule and term; and other important matters that need to be specified, such as the collaboration and coordination between the principals and the asset valuation professionals.

(II) Signing of asset valuation engagement contract

The Company conducted comprehensive analysis and evaluation on professional capabilities, independence and business risks based on the specific conditions of the valuation business, and the asset valuer decided whether to take the engagement. Where the asset valuer accepts the asset valuation business, it shall enter into an asset valuation engagement contract with the principal in accordance with the laws, and specify the rights, obligations, liabilities for breach of contract and resolution of disputes between the asset valuer and the principals.

(III) Preparation of valuation plan

After undertaking the valuation business, the Company immediately organized asset valuation professionals to prepare an asset valuation plan and reasonably determined the complexity of the asset valuation plan. The asset valuation plan included the main process and schedule of the implementation of asset valuation business, the arrangement of personnel and the technical plan, etc.

(IV) On-site investigation

Based on the specific conditions of the valuation business, we conducted on-site investigation on the valuation target, including:

1. the principals and the entity subject to valuation are required to provide detailed information on the subject and the scope of valuation;
2. the principals or the entity subject to valuation are required to confirm the valuation breakdown and relevant supporting materials provided by it by signing, sealing and other means as permitted by the laws;
3. the asset valuation professionals conduct investigation by way of inquiry, interview, verification and survey to obtain the information required for the valuation business, understand the current status of the subject under valuation and study the legal ownership of the subject under valuation;
4. Where it is impossible or inappropriate to conduct an item-by-item investigation on all assets within the scope of valuation, spot checks and other methods will be adopted according to the importance of respective assets.

(V) Collection of valuation information

We collect valuation information based on the specific conditions of the valuation business, and collect additional valuation information in a timely manner according to the need of the valuation business and the change in the implementation process of the valuation business. Such information includes:

1. information obtained directly and independently from the market and other channels, information obtained from the principals, the entity subject to valuation and other relevant parties, and information obtained from government departments, various professional institutions and other relevant departments;
2. inquiry records, quotation results, inspection records, industry information, analysis information, authentication reports, professional reports and government documents, etc.;

3. asset valuation professionals verify and examine the information used in the asset valuation activities in accordance with the laws; the methods of verification and examination usually include observation, inquiry, written review, field investigation, inquiry and review, etc.
4. asset valuation professionals analyze, summarize and organize the valuation information collected according to the specific conditions of the asset valuation business to form the basis for valuation and estimation and for preparation of the asset valuation report.

(VI) Valuation and estimation

1. The valuation results under the asset-based approach are determined according to the above valuation procedures and methods.
2. The valuation results under the asset-based approach are analyzed, supplemented, modified and improved, and the valuation conclusion of this asset valuation is determined based on a comprehensive analysis of the factors affecting the value.

(VII) Preparation and submission of valuation report

Based on the above work, a draft of the asset valuation report was prepared. After a preliminary and internal review on the draft of the valuation report and its working papers, the Company had necessary communication with the principals or other relevant parties agreed by the principal on the contents of the valuation report. Taking relevant opinions into full consideration, necessary adjustments, modifications and improvements were made to the valuation report, and the report was then prudently reviewed again in accordance with the internal review system and procedures for asset valuation reports of the Company. The Company therefore issued a formal asset valuation report for the submission to the principals after the said review.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. Transaction assumption: It is assumed that all assets subject to valuation are in the process of transaction, and the asset valuer conducts the valuation based on a simulated market, namely the transaction conditions of the assets subject to valuation.
2. Open market assumption: Open market assumption is an assumption about the conditions of the market where the assets are intended to enter and how the assets will be affected under such market conditions. An open market refers to fully developed and perfect market conditions, which means a competitive market

with willing buyers and sellers. In this market, buyers and sellers have equal status and have opportunities and time to obtain sufficient market information. Transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions.

3. Assumption of continuous use of assets: Assumption of continuous use is an assumption about the conditions of the market where the assets are intended to enter and the status of the assets under such market conditions. Firstly, the assets subject to valuation are in use; and secondly, it is assumed that the assets in use will be used continuously.
4. Assumption of on-site use of assets: The on-site use of assets refers to the continuous use of an asset in the original installation site, and the assets may or may not be used in the same way and for the same purpose. The CE engine assembly line involved in this valuation can be used for the production of CE16 and CE18 engines. With modification, it will be mainly used for the production of CE15F engines of the joint venture and is compatible with the production of CE16 and CE18 engines in the future.

(II) Special assumptions

1. This valuation assumes that the external economic environment remains unchanged and there is no material change in the current national macro-economy as at the valuation date. It is also assumed that there will be no material adverse impact caused by other unpredictable and force majeure factors.
2. There is no significant change in the social and economic environment in which the enterprise operates and the tax policies, exchange rates, tax rates and other policies implemented.
3. The assets subject to valuation are based on the actual inventory on the valuation date, and the current market price of relevant assets is based on the effective domestic price on the valuation date.
4. It is assumed that the accounting policies adopted by the entity subject to valuation after the valuation date are consistent with the accounting policies adopted when preparing this valuation report in all material aspects.
5. It is assumed that, after the valuation date, the scope of business and the operating method of the entity subject to valuation will be consistent with the current management approach and standard.

6. It is assumed that the current credit policy of the enterprise will remain unchanged in the future, and that the enterprise will not encounter any major problem in payment collection.
7. It is assumed that the basic information and financial information provided by the entity subject to valuation are true, accurate and complete, and that its cash flow for operating and business expansion is adequately guaranteed.

(III) Restriction on valuation

1. The valuation results are provided as per the purpose of this valuation to estimate the market value of relevant equipment regarding the production of “Prince Engine” of Power Xincheng by a joint venture proposed to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. based on the assumptions of continuous use of equipment assets subject to valuation and an open market, without taking into account the impact of special transactions that may increase or decrease in price, nor the impact of changes in the macroeconomic environment and natural forces and other force majeure on the asset price.
2. The valuation date adopted in the valuation report is specified in the preceding paragraph, and our estimation of value is based on the purchasing power of the currency where the enterprise is located on the valuation date.
3. The valuation report shall only be used by the principals and other users listed in the report for the valuation purpose specified in the preceding paragraph, and the ownership of the valuation report shall belong to the principals. However, entities providing valuation management services as required by laws and regulations or relevant competent authorities shall be excluded.

These assumptions and restrictions were determined on the valuation date. We hereby disclaim any liability caused by changes in assumptions and restrictions due to significant changes in economic environment and environmental protection standards in the future.

X. VALUATION CONCLUSION

In accordance with the relevant requirement on asset valuation in China and based on the principles of independence, impartiality and objectivity and the necessary valuation procedures, the valuation on the market value of relevant equipment regarding the production of “Prince Engine” of Power Xincheng by a joint venture proposed to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. was made. Based on the above valuation work, the valuation conclusion is as follows:

APPENDIX II VALUATION REPORT ON CONTRIBUTION ASSETS

Upon valuation, under the assumptions of this report, the market value as at the valuation date of 31 May 2021 of relevant equipment regarding the production of “Prince Engine” of Power Xincheng by a joint venture proposed to be established by Beijing CHJ Automotive Technology Co., Ltd. and Mianyang Xincheng Engine Co., Ltd. is **RMB213,696,100 (excluding VAT), which is written in capital letters as: RENMINBI TWO HUNDRED AND THIRTEEN MILLION AND SIX HUNDRED AND NINETY SIX THOUSAND AND ONE HUNDRED ONLY.**

Summary of asset valuation

Valuation date: 31 December 2020

Entity subject to valuation: Mianyang Xincheng Engine Co., Ltd. *Unit: RMB 0'000*

Item		Book value	Valuation	Increase/ decrease	Increase/ Decrease (%)
		A	B	C = B - A	D = C/A × 100%
Machinery equipment	1	15,589.79	13,242.00	-2,347.79	-15.06
Construction in progress	2	8,494.47	8,127.61	-366.86	-4.32
Total assets	3	24,084.26	21,369.61	-2,714.65	-11.27

XI. SPECIAL NOTES

When using this valuation report, users of the valuation report should pay attention to the possible impact of the following special matters on the valuation conclusion, and give full consideration when making their own decisions according to this report.

- (I) Where there is any defect in the enterprise that may affect the valuation of assets, the asset valuer and the asset valuation professionals shall not be held responsible for the circumstance if no special statement is made in the course of engagement and the asset valuation professionals are unable to identify the defect after performing the valuation procedures.
- (II) The preparation of this report is based on the information required for the valuation, namely the action documents, business licenses, title certificates, financial statements and accounting documents provided by the principal and Mianyang Xincheng Engine Co., Ltd. The principal and other relevant parties shall be responsible for the truthfulness, legality and completeness of the information provided.

(III) The asset valuation professionals have conducted necessary verification of the property rights of the assets within the scope of engagement, and fully disclosed the issues identified in the property rights of assets as far as possible. No dispute on the property rights was found in this valuation. However, the valuation report is a professional valuation opinion on the valuation subject, which does not have the legal implication of title certificates. Therefore, this report cannot be regarded as a title certificate.

(VI) Engagement of services from experts

None

(V) Special matters to be explained

1. Borrowings, guarantees and mortgages of enterprises

On 26 May 2017, Mianyang Xincheng Engine Co., Ltd. entered into the “Fixed Assets Loan Contract” (No. 50012017280148) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd., for a loan amount of RMB300,000,000 with a term from 26 May 2017 to 25 May 2026 at an interest rate of 20% above the benchmark interest rate for loans with the same term as agreed in the contract quoted by the People’s Bank of China on the issue date of each loan. Xincheng China Power Holdings Limited provided guarantee for the loan and entered into the “Maximum Guarantee Contract” (ZB5001201700000008) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd., and the balance of the guaranteed main debt shall be up to an amount of no more than the equivalent of RMB671,000,000 within the period for determining the debt (13 January 2017 to 12 January 2028). For the special account for fixed assets loan opened by Mianyang Xincheng Engine Co., Ltd. (Mianyang Branch of Shanghai Pudong Development Bank, account number: 50010155300000148), any single loan payment of more than RMB5,000,000 shall be paid by the lender in the form of trust. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Amount Mortgage Contract” (No.: ZD5001201300000014) and the “Modification Agreement to Mortgage Contract” (No.: ZD5001201300000014-101) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with 8 real estate properties located at No. 228, Jianmen Road West, Fucheng District, Mianyang City (Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611388), Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611389, Mian Fang Quan Zheng Shi Fang Jian Zi No.0000017123, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000017110, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000017109, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000014156, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000009171, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000009169, with the guaranteed main debt of RMB28,000,000) as the collateral. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Mortgage Contract” (No.: ZD5001201500000002) and the “Modification Agreement to Mortgage Contract” (No.: ZD5001201500000002-101)

with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with 1 real estate property located at No. 228, Jianmen Road West, Fucheng District, Mianyang City (Mian Fang Quan Zheng Shi Fang Jian Zi No. 200402254, with the guaranteed main debt of RMB12,000,000) as the collateral. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Mortgage Contract” (No. ZD5001201500000003) and the “Modification Agreement to Mortgage Contract” (No. ZD5001201500000003-101) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with 5 real estate properties located at No. 228, Jianmen Road West, Fucheng District, Mianyang City (Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611391, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200321603, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611392, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200321600, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000018010, with the guaranteed main debt of RMB7,000,000) as the collateral. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Amount Mortgage Contract” (No. ZD5001201800000006) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with the acquired land use right of the industrial land (Certificate No.: Mian Cheng Guo Yong (2010) No. 19922 and Mian Cheng Guo Yong (2010) No. 19923) and the buildings erected thereon as the collateral, pursuant to which the balance of the guaranteed main debt shall be up to an amount of no more than the equivalent of RMB559,000,000 within the period for determining the debt (26 May 2017 to 25 May 2028). As at 31 December 2020, the balance of the borrowings was RMB254,000,000, which was mainly used for the development and industrialization of CE engines. This valuation does not take into account the impact of the above guarantees and mortgages on the valuation of relevant assets.

On 30 November 2017, Mianyang Xincheng Engine Co., Ltd. entered into the “Fixed Assets Loan Contract” (No. 50012017280224) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd., for a loan amount of RMB130,000,000 with a term from 30 November 2017 to 29 November 2026 at an interest rate of 20% above the benchmark interest rate for loans with the same term as agreed in the contract quoted by the People’s Bank of China on the issue date of each loan. Xincheng China Power Holdings Limited provided guarantee for the loan and entered into the “Maximum Guarantee Contract” (ZB5001201700000008) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd., and the balance of the guaranteed main debt shall be up to an amount of no more than the equivalent of RMB671,000,000 within the period for determining the debt (13 January 2017 to 12 January 2028). For the special account for fixed assets loan opened by Mianyang Xincheng Engine Co., Ltd. (Mianyang Branch of Shanghai Pudong Development Bank, account number: 50010155300000148), any single loan payment of more than RMB5,000,000 shall be paid by the lender in the form of trust. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Amount Mortgage Contract” (No.: ZD5001201300000014) and the “Modification Agreement to Mortgage Contract” (No.: ZD5001201300000014-101) with the Mianyang Branch of Shanghai Pudong

Development Bank Co., Ltd. with 8 real estate properties located at No. 228, Jianmen Road West, Fucheng District, Mianyang City (Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611388, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611389, Mian Fang Quan Zheng Shi Fang Jian Zi No.0000017123, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000017110, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000017109, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000014156, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000009171, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000009169, with the guaranteed main debt of RMB28,000,000) as the collateral. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Mortgage Contract” (No.: ZD5001201500000002) and the “Modification Agreement to Mortgage Contract” (No.: ZD5001201500000002-101) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with 1 real estate property located at No. 228, Jianmen Road West, Fucheng District, Mianyang City (Mian Fang Quan Zheng Shi Fang Jian Zi No. 200402254, with the guaranteed main debt of RMB12,000,000) as the collateral. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Mortgage Contract” (No. ZD5001201500000003) and the “Modification Agreement to Mortgage Contract” (No. ZD5001201500000003-101) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with 5 real estate properties located at No. 228, Jianmen Road West, Fucheng District, Mianyang City (Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611391, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200321603, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200611392, Mian Fang Quan Zheng Shi Fang Jian Zi No. 200321600, Mian Fang Quan Zheng Shi Fang Jian Zi No. 0000018010, with the guaranteed main debt of RMB7,000,000) as the collateral. Mianyang Xincheng Engine Co., Ltd. entered into the “Maximum Amount Mortgage Contract” (No. ZD5001201800000006) with the Mianyang Branch of Shanghai Pudong Development Bank Co., Ltd. with the acquired land use right of the industrial land (Certificate No.: Mian Cheng Guo Yong (2010) No. 19922 and Mian Cheng Guo Yong (2010) No. 19923) and the buildings erected thereon as the collateral, pursuant to which the balance of the guaranteed main debt shall be up to an amount of no more than the equivalent of RMB559,000,000 within the period for determining the debt (26 May 2017 to 25 May 2028). As at 30 November 2020, the balance of the borrowings was RMB109,500,000, which was mainly used for the development and industrialization of CE engines. This valuation does not take into account the impact of the above guarantees and mortgages on the valuation of relevant assets.

2. *Explanation on restriction of valuation procedure*

- (1) Examination and verification of concealed works are subject to objective conditions. Asset valuation professionals are unable to conduct physical inspection and only verify with relevant information provided by the entity subject to valuation.
- (2) During the valuation process, when inspecting the equipment, the asset valuation professionals mainly relied on the observation on the exterior of equipment, the recent inspection details provided by the enterprise subject to valuation and the inquiry to the operators for the sake of judging the condition of the equipment due to the limitation of testing methods and the fact that some equipment were in operation.

(VI) This valuation conclusion does not take into account the possible changes in tax obligations arising from the increase or decrease in the valuation.

(VII) Events occurred between the valuation date and the date of the asset valuation report that may affect the valuation conclusion

Where there is any change in the quantity and pricing standard of the assets after the valuation date that may affect the valuation conclusion, the valuation conclusion shall not be directly used because it shall be adjusted or reassessed. The asset valuer does not assume any responsibility for the changes in assets, liabilities and market conditions after the valuation date, and has no obligation to revise the valuation report for the events or circumstances subsequent to the valuation date.

(VIII) Defect in the economic activities corresponding to this asset valuation that may have a significant impact on the valuation conclusion.

None.

The valuation conclusion is issued by Zhongshuizhiyuan Assets Appraisal Co., Ltd. and, therefore, is subject to the professional standard and capability of the asset valuation professionals of the valuer.

Users of the asset valuation report shall note the impact of the above special notes on the valuation conclusion.

XII. RESTRICTION ON THE USE OF VALUATION REPORT

- (I) This valuation report can only be used for the valuation purpose and the aim as set out therein, and shall not be used for economic activities other than the purpose of this valuation.
- (II) The asset valuer and its asset valuation professionals take no responsibility for any failure by the client or other users of the asset valuation report to use the asset valuation report in accordance with the laws, administrative regulations and the scope of use set out in the asset valuation report.
- (III) Except for the principals, other users of the asset valuation report as agreed in the asset valuation engagement contract and users of the asset valuation report as stipulated by laws and administrative regulations, no other institution or individual shall become the user of the asset valuation report.
- (IV) Users of the asset valuation report should correctly understand and use the valuation conclusion, which is not equivalent to the realizable price of the valuation target, and the valuation conclusion should not be considered as a guarantee for the realizable price of the valuation target subject.
- (V) This report shall be signed and sealed by the asset valuer and two asset valuation professionals, and shall be valid for official use only after the approval has been received from the competent authority or the report has been filed with the management authority in accordance with the relevant provisions for the management of state-owned assets.
- (VI) The extraction, quotation or disclosure of all or part of the contents of the valuation report in the public media shall be subject to the written consent of the asset valuer, unless otherwise required by laws and regulations and agreed by the relevant principals.
- (VII) The valuation conclusion of this report is valid for one year from the valuation date, i.e. the period from 31 May 2021 to 30 May 2022. Where the valuation purpose is achieved within one year after the valuation date, the valuation conclusion can be used as a reference for this valuation purpose, and the asset valuation needs to be conducted again after one year.

XIII. DATE OF ASSET VALUATION REPORT

This report was prepared on 5 June 2021.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

The Company

Name of Director	Long position/ short position	Nature of interests	Number and class of Shares	Approximate percentage of shareholding (Note 3)
Mr. Wu Xiao An (also known as Mr. Ng Siu On) (Note 1)	Long position	Beneficial owner	8,320,041 ordinary	0.65%
	Long position	Trustee and interest in a controlled corporation	33,993,385 ordinary	2.65%
Mr. Wang Yunxian (Note 2)	Long position	Beneficial owner	6,471,143 ordinary	0.50%
	Long position	Trustee and interest in a controlled corporation	33,993,385 ordinary	2.65%

Notes:

- (1) Mr. Wu Xiao An is a trustee of the discretionary trust (which holds 33,993,385 Shares for the beneficiaries) under the share incentive scheme established by Lead In Management Limited (“**Lead In**”) in 2011 (the “**Incentive Scheme**”) and holds 50% interests in Lead In. Accordingly, Mr. Wu is deemed or taken to be interested in approximately 2.65% of the issued share capital of the Company.
- (2) Mr. Wang Yunxian is a trustee of the discretionary trust (which holds 33,993,385 Shares for the beneficiaries) under the Incentive Scheme and holds 50% interests in Lead In. Accordingly, Mr. Wang is deemed or taken to be interested in approximately 2.65% of the issued share capital of the Company.
- (3) These percentages are calculated on the basis of 1,282,211,794 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons (other than a Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interests	Number and class of Shares	Approximate percentage of shareholding (Note 6)
Brilliance Investment Holdings Limited ("Brilliance Investment")	Beneficial owner	400,000,000 (L) ordinary	31.20%
Brilliance China (Note 1)	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Huachen Automotive Group Holdings Company Limited* (華晨汽車集團控股有限公司) ("Huachen") (Note 2)	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Xinhua Investment Holdings Limited ("Xinhua Investment")	Beneficial owner	400,000,000 (L) ordinary	31.20%
Mianyang Xinhua Internal Combustion Engine Joint Stock Company Limited* (綿陽新華內燃機股份有限公司)("Xinhua Combustion Engine") (Note 3)	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Sichuan Yibin Pushi Group Co., Ltd. ("Pushi Group") (Note 4)	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Sichuan Province Yibin Wuliangye Group Co., Ltd.* (四川省宜賓五糧液集團有限公司)("Wuliangye") (Note 5)	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%

Notes:

- (1) Brilliance Investment is wholly-owned by Brilliance China and Brilliance China is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Brilliance Investment is interested.

- (2) Brilliance China is beneficially owned as to approximately 30.43% by Huachen and Huachen is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Brilliance Investment is interested.
- (3) Xinhua Investment is a direct wholly-owned subsidiary of Xinhua Combustion Engine and Xinhua Combustion Engine is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Xinhua Investment is interested.
- (4) Xinhua Combustion Engine is a direct non wholly-owned subsidiary of Pushi Group and Pushi Group is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Xinhua Investment is interested.
- (5) Pushi Group is a direct wholly-owned subsidiary of Wuliangye and Wuliangye is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Xinhua Investment is interested.
- (6) These percentages are calculated on the basis of 1,282,211,794 Shares in issue as at the Latest Practicable Date

(L) – Long Position

** for identification purposes only*

Save as disclosed above, as at the Latest Practicable Date, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2020, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) save as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group as a whole.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years preceding the Latest Practicable Date and are, or may be, material:

- (a) the support agreement (支持協議) dated 11 May 2021 between BMW Brilliance Automotive Ltd.* (華晨寶馬汽車有限公司) (“**BBA**”) as lender and Mianyang Xincheng, Mianyang Xincheng Engine Co., Ltd. Shenyang Branch* (綿陽新晨動力機械有限公司瀋陽分公司) and Xincheng Engine (Shenyang) Co., Limited* (新晨動力機械(瀋陽)有限公司) as borrowers (collectively, the “**Borrowers**”) in relation to, among others, an interest-bearing secured loan in the principal amount of RMB500,000,000, as supplemented and revised by a supplemental agreement thereto dated 2 July 2021;
- (b) 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; and
- (c) the Investment Agreement.

* for identification purposes only

6. LITIGATION

So far as is known to the Directors, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

7. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the professional adviser who has given opinion or advice which is contained in this circular:

Name	Qualification
Zhongshuizhiyuan Assets Appraisal Co., Ltd	qualified valuer in the PRC

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective close associates was interested directly or indirectly in a business, apart from his interest in the Company, which competes or is likely to compete with the business of the Group.

9. GENERAL

- (a) The registered office of the Company is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong.
- (c) The branch share registrars and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (d) The company secretary of the Company is Ms. Ngai Ka Yan, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.
- (e) Save and except for the extract of the valuation report on the Contribution Assets as set out in Appendix II whose original text is in Chinese, the English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.xinchenpower.com from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2019 and 2020 respectively;
- (c) the full text of the valuation report dated 5 June 2021 issued by Zhongshuizhiyuan Assets Appraisal Co., Ltd on the Contribution Assets, an extract of which is set out in Appendix II;
- (d) the material contracts referred to in the paragraph headed "5. Material contracts" in this Appendix;
- (e) the written consent from Zhongshuizhiyuan Assets Appraisal Co., Ltd referred to in the paragraph headed "7. Expert's consent and qualification" in this Appendix; and
- (f) the circular of the Company dated 30 July 2021 and this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Xinchen China Power Holdings Limited (the “**Company**”) will be held at Victoria Room, 2nd Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Tuesday, 16 November 2021 at 9:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the investment agreement (投資協議)(the “**Investment Agreement**”) (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) dated 27 August 2021 entered into between Beijing CHJ Automotive Technology Co., Ltd* (北京車和家汽車科技有限公 司)(“**Beijing CHJ**”) and Mianyang Xinchen Engine Co., Ltd.* (綿陽新晨動力機械有 限公司)(an indirect wholly-owned subsidiary of the Company) (“**Mianyang Xinchen**”) in relation to, among others, the formation of a joint venture company (proposed to be named Sichuan Li Xinchen Technology Co., Ltd* (四川理想新晨科技 有限公司)) by Beijing CHJ and Mianyang Xinchen, together with the transactions contemplated thereunder, be and are hereby approved; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) any director of the Company (a “**Director**”) be and is hereby authorized, for and on behalf of the Company, to do all such things and exercise all powers which he/she considers necessary or desirable or expedient in connection with the Investment Agreement or otherwise in connection with the implementation of the transactions contemplated thereunder, including without limitation the execution, amendment, supplement, delivery, waiver, submission and implementation of the Investment Agreement and any further documents or agreements, and any Director and the company secretary of the Company or two Directors be authorized to affix the common seal of the Company (if required) on any document or deed as they consider appropriate.”

By order of the board of directors
Xinchen China Power Holdings Limited
Ngai Ka Yan
Company Secretary

Hong Kong, 28 October 2021

Registered Office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business:

Suites 1602-05
Chater House
8 Connaught Road Central
Hong Kong

* *for identification purposes only*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote on a poll in his stead. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.
5. The Hong Kong branch register of members of the Company will be closed from Thursday, 11 November 2021 to Tuesday, 16 November 2021, both days inclusive, during which period no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 11 November 2021 or their proxies or duly authorised corporate representatives are entitled to attend the meeting. In order to qualify for attending the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 November 2021.
6. The ordinary resolution set out in this notice of extraordinary general meeting will be put forward to shareholders to vote by way of a poll.
7. In view of the pandemic of COVID-19, the following precautionary measures will be implemented at the meeting (or any adjournment thereof) to protect our shareholders from the risk of infection:
 - (i) Compulsory body temperature check will be conducted for all shareholders, proxies and other attendees at the entrance of the meeting venue. Any person with a body temperature above the reference range recommended by the Department of Health of The Government of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong Government**") from time to time, or is exhibiting flu-like symptoms, may be denied entry into the meeting venue or be required to leave the meeting venue.
 - (ii) Each attendee may be asked to complete and submit a health declaration form prior to entry into the meeting venue. Anyone who responds positively to any of the questions in the health declaration form may be denied entry into the meeting venue or be required to leave the meeting venue.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (iii) All attendees will be required to wear surgical face mask before they are permitted to attend, and during their attendance of, the meeting. Please note that no masks will be provided at the meeting venue and attendees should bring and wear their own masks.
- (iv) No refreshment and drinks will be provided and no gift will be distributed at the meeting.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue.

The Company reminds all shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the meeting by completing and returning the proxy form instead of attending the meeting in person.

The Company will keep the evolving COVID-19 situation under review and may change the precautionary measures or implement additional measures which it will announce closer to the date of the meeting, if and when necessary.

As at the date of this notice, the board of directors of the Company 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.