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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)

**VERY SUBSTANTIAL DISPOSAL –
DISPOSAL OF ASSETS
AND
VERY SUBSTANTIAL ACQUISITION –
LEASE-BACK ARRANGEMENT OF ASSETS**

The Board announces that BBA has been identified as the winning bidder under the Public Listing Process and that on 25 May 2022 (after trading hours):

- (1) the Sellers as vendors and BBA as purchaser entered into the Asset Purchase Agreement relating to, among others, the Disposal; and
- (2) BBA as lessor and Shenyang Xinchen as lessee entered into the Lease Agreement relating to, among others, the leasing back of the Disposed Assets.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal is higher than 75%, the Asset Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

According to HKFRS 16, the Company will recognize the lease of the Disposed Assets under the Lease Agreement as a right-of-use asset in the sum of approximately RMB728.78 million (subject to adjustment based on, among others, the applicable discount rate) which shall be the present value of the total rent. The recognition of such a right-of-use asset will be regarded as an acquisition of asset under Rule 14.04(1)(a) of the Listing Rules. As the highest applicable percentage ratio in respect of the lease of the Disposed Assets under the Lease Agreement is higher than 100%, the Lease Agreement and the transactions contemplated thereunder constitute a very substantial acquisition for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, amongst other things, details of the Asset Purchase Agreement, the Lease Agreement and a notice convening the Extraordinary General Meeting for the Shareholders to consider and, if thought fit, approve the Asset Purchase Agreement, the Lease Agreement and the transactions contemplated thereunder is expected to be despatched on or before 16 June 2022.

References are made to (i) the announcement of the Company dated 11 May 2021 and the circular of the Company dated 30 July 2021 regarding, among others, the provision of the Loan by BBA to the Sellers (all of which are wholly-owned subsidiaries of the Company) and the mortgages created over the Disposed Assets by the Sellers in favour of BBA as security for, among others, the Loan; and (ii) the announcement of the Company dated 12 April 2022 relating to, among others, the commencement of the Public Listing Process.

The Board announces that BBA has been identified as the winning bidder under the Public Listing Process and that on 25 May 2022 (after trading hours):

- (1) the Sellers as vendors and BBA as purchaser entered into the Asset Purchase Agreement relating to, among others, the Disposal; and
- (2) BBA as lessor and Shenyang Xinchun as lessee entered into the Lease Agreement relating to, among others, the leasing back of the Disposed Assets.

ASSET PURCHASE AGREEMENT

The principal terms of the Asset Purchase Agreement are set out below:

Date

25 May 2022

Parties

- (1) the Sellers, as vendors
- (2) BBA, as purchaser

Subject matter

On and subject to the terms and conditions of the Asset Purchase Agreement, the Sellers have agreed to sell, transfer, assign, convey and deliver to BBA and BBA has agreed to purchase, acquire and accept from the Sellers, all of the right, title and interest of the Sellers in, to and under the Disposed Assets.

Purchase Price

BBA's winning bid price under the Public Listing Process is approximately RMB819.35 million, which is equal to the appraised value of the Disposed Assets as at 30 June 2021 according to the asset appraisal conducted by a PRC qualified valuer on replacement cost approach. The Purchase Price is approximately RMB925.86 million, which is based on the winning bid price and taking into account value added tax of approximately RMB106.51 million.

Subject to the satisfaction or waiver in writing by BBA of all the conditions as mentioned in the paragraph headed "Conditions" below in this announcement, within ten (10) Business Days after the Asset Purchase Agreement takes effect, BBA agrees to pay to the Sellers the Purchase Price.

The parties agree that the deposit of approximately RMB163.86 million already paid by BBA to the Shenyang Asset Exchange shall be directly converted into a part of the Purchase Price to be paid by BBA on a dollar-for-dollar basis, and the outstanding principal amount of the Loan in the sum of RMB500.00 million shall be converted into a part of the Purchase Price to be paid by BBA on a dollar-for-dollar basis. BBA shall pay only the balance of the Purchase Price of approximately RMB262.00 million in cash after deducting the two sums mentioned above.

As the prerequisite for the payment of the balance of the Purchase Price by BBA, the related interest accrued on the Loan (calculated until the date of actual payment of the balance of the Purchase Price by BBA) shall be paid to BBA five (5) Business Days prior to the date of actual payment of the balance of the Purchase Price by BBA as agreed in the Asset Purchase Agreement.

The Directors (including the independent non-executive Directors) consider that the Purchase Price is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions

The obligations of BBA to pay the Purchase Price shall be subject to the satisfaction, prior to or on the payment date, of the following conditions, unless such conditions (other than those set out in sub-paragraph (a) and (b) below) are waived in writing by BBA:

- (a) approval by the Shareholders at general meeting of the Disposal, and provision by the Sellers to BBA of a certified copy of the relevant resolution passed by the Shareholders at the general meeting;
- (b) approval by the state-owned assets supervision and administration authority having jurisdiction over the Sellers of the Disposal, and provision by the Sellers to BBA of a certified copy of such approval;

- (c) resolutions by the highest authority of the Sellers approving the Disposal, and provision by the Sellers to BBA of certified copies of such resolutions;
- (d) issuance by the Shenyang Asset Exchange to BBA of the Notice of Award/Notice of Preferred Result, confirming that BBA is identified as the purchaser of the Disposed Assets in the Public Listing Process;
- (e) execution by the Sellers and BBA, and effectiveness, of the Asset Purchase Agreement;
- (f) the Sellers having procured the consents of all relevant third parties, in each case, in respect of the sale and purchase of the Disposed Assets;
- (g) Mianyang Xincheng having completed the duty payment for the duty exempt imported equipment listed in the Asset Purchase Agreement, which are under the supervision of the General Administration of Customs of the PRC (including its predecessors and successors and any of their respective provincial or local branches) (the “**Customs**”) on the date of the Asset Purchase Agreement, and removed the restrictions imposed by the Customs on the transfer of the imported equipment of the Disposed Assets;
- (h) Shenyang Xincheng and Mianyang Xincheng having entered into an agreement to terminate the lease of crankshaft production line, and Shenyang Xincheng and Mianyang Xincheng (Shenyang Branch) having entered into an agreement to terminate the lease of connecting rods production line. The termination under each of the aforementioned agreements will take effect from the Closing Date;
- (i) BBA and Shenyang Xincheng having entered into the Lease Agreement;
- (j) the Sellers having provided to BBA the photocopies of reasonably sufficient documents (purchase contract, invoices and payment vouchers categorized per asset, to the extent available) and the financial book entry confirming the ownership of major domestically purchased fixed assets which are part of the Disposed Assets each with a book value over RMB100,000;
- (k) the Sellers’ representations and warranties set forth in the Asset Purchase Agreement being true and correct in all material respects;
- (l) the Sellers having performed and complied with all of their covenants required to be performed under the Asset Purchase Agreement in all material respects;
- (m) since the date of the Asset Purchase Agreement, no event or circumstance having arisen or occurred which has had or could reasonably be expected to have a Material Adverse Effect;

- (n) no action, suit, or proceeding being pending or threatened before any court or quasi-judicial or administrative agency of any state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by the Asset Purchase Agreement, (B) cause any of the transactions contemplated by the Asset Purchase Agreement to be rescinded following consummation, (C) affect materially and adversely the right of BBA to own the Disposed Assets, or (D) affect materially and adversely the right of BBA to operate the relevant business as a result of such acquisition of the Disposed Assets (and no such injunction, judgment, order, decree, ruling, or charge being in effect);
- (o) the result of asset checking by BBA not having Material Adverse Effect;
- (p) other conditions mutually agreed among the Sellers and BBA to BBA's payment of the Purchase Price;
- (q) the Sellers having submitted a confirmation letter to BBA, indicating that the conditions set out in sub-paragraphs (a) to (p) above have been satisfied in all respects;
- (r) all internal and external approvals in connection with the entry into the Supplementary Agreement having been obtained by the Sellers, and the Sellers having provided BBA with certified copy of such approvals, the contents of which are satisfactory to BBA;
- (s) the Supplementary Agreement having been signed and entered into force;
- (t) Shenyang Xincheng having opened a special bank account to receive the Purchase Price, and Shenyang Xincheng, BBA and the bank having entered into an account escrow agreement in form and substance satisfactory to BBA; and
- (u) the Sellers having provided BBA with a written plan to use the Purchase Price.

As at the date of this announcement, no other conditions have been mutually agreed among the Sellers and BBA under sub-paragraph (p) above. Further announcement(s) will be made by the Company if and when there is any such other condition agreed.

If the above conditions fail to be satisfied (or, where applicable, waived in writing by BBA) within ten (10) Business Days following the effective date of the Asset Purchase Agreement, BBA shall have the right to unilaterally rescind the Asset Purchase Agreement immediately or extend the said period by giving a written notice to the Sellers.

Closing

Closing shall take place on the fifth Business Day following the payment date of the Purchase Price or such other date as the Sellers and BBA may mutually determine.

Except with respect to the Assigned Contracts, the title to, and risk in, each of the Disposed Assets shall pass to BBA on Closing. The Sellers and BBA agree that the Assigned Contracts shall not be actually transferred to BBA upon Closing, but the Sellers shall continue to perform the Assigned Contracts in accordance with normal and reasonable commercial standards, and the Sellers agree that BBA shall have the right to notify the Sellers of the actual transfer of the Assigned Contracts to BBA at any time after the Closing Date, at which time the Sellers shall unconditionally cooperate and obtain the consent of third parties to the transfer. Until the date of actual transfer, all obligations and liabilities in connection with the Assigned Contracts shall be performed and assumed by the Sellers.

Restrictions after the transfer of the Disposed Assets

After the transfer of the Disposed Assets pursuant to the Asset Purchase Agreement:

- (a) BBA will lease the Disposed Assets to Shenyang Xincheng in accordance with the Lease Agreement for Shenyang Xincheng to operate the Disposed Assets;
- (b) any sale, transfer, pledge, mortgage or other disposal of the Disposed Assets by BBA shall be subject to prior written approval of Mianyang Xincheng; and
- (c) in case of bankruptcy of BBA, mortgage or major asset change related to the Disposed Assets, Mianyang Xincheng shall be entitled to pre-emptive rights over the Disposed Assets at the same price and on the same conditions as offered by other purchasers.

Termination

- (a) If within ten (10) Business Days following the satisfaction or waiver in writing by BBA of all the conditions set out in the paragraph headed "Conditions" above in this announcement, BBA fails to pay to the Sellers the Purchase Price, then, but without prejudice to any other rights or remedies available to the Sellers, the Sellers shall give a notice to the Purchaser asking the Purchaser to cure the breach within a period of twenty (20) Business Days. In the event such breach is not cured within such period the Sellers may, without any liability to BBA, elect not to complete the sale of the Disposed Assets by giving written notice to BBA.

- (b) If before the Closing Date:
- (i) any of the Sellers is in breach of any representations and warranties set forth in the Asset Purchase Agreement and such breach would or could be reasonably expected to have a Material Adverse Effect; or
 - (ii) any of the Sellers is in breach of any obligation on its part under the Asset Purchase Agreement and (1) such breach would or could be reasonably expected to have a Material Adverse Effect and (2) where that breach is capable of remedy, such breach is not remedied to the satisfaction of BBA,

then, but without prejudice to any other rights or remedies available to BBA, BBA shall give a notice to the Sellers asking the Sellers to cure the breach within a period of twenty (20) Business Days. In the event such breach is not cured within such period, BBA may, without any liability to the Sellers, elect not to complete the purchase of the Disposed Assets by giving written notice to the Sellers.

- (c) The Sellers and BBA may terminate the Asset Purchase Agreement by mutual written consent at any time prior to Closing.

No matter how the Asset Purchase Agreement is terminated, if BBA has paid to the Sellers any part of the Purchase Price, the Sellers shall return to BBA the amount already paid plus interest (calculated based on the yearly rate of 4.6%) within 10 days after the termination of the Asset Purchase Agreement. Otherwise, BBA shall have the right to set off the corresponding amount against the amount payable to any of the Sellers under any contract, without the consent of the Sellers.

Force majeure

If, for reasons which are not foreseeable, unavoidable and which are beyond the control of the party concerned, such as riot, strike, act of God or change of law, it becomes impossible for a party to perform or observe its obligations hereunder (“**Force Majeure**”), then the party concerned shall be excused for its non-performance or non-observance during the duration of the Force Majeure. Such party shall immediately notify such event of Force Majeure in writing to the other parties, and shall provide to the other parties proof of the existence and past and expected duration of adverse impact of the event issued by an official organ in the region within thirty (30) days after the occurrence of such Force Majeure event. In the event of Force Majeure, the parties shall promptly consult to decide whether and how to proceed with the performance of the Asset Purchase Agreement. Should the obligation which cannot be performed or observed by a party by reason of the Force Majeure constitute a material obligation considering the Asset Purchase Agreement as a whole causing the non-performance or non-observance to continue for a period exceeding six (6) months, then any of the other parties shall have the right to terminate the Asset Purchase Agreement and any other agreements entered into in relation thereto immediately.

Effectiveness

The Asset Purchase Agreement shall come into effect upon approval of the Disposal by the Shareholders at general meeting and the affixation of the signature and seal by the Sellers and BBA to the Asset Purchase Agreement.

LEASE AGREEMENT

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

Date

25 May 2022

Parties

- (1) BBA, as lessor
- (2) Shenyang Xinchun, as lessee

Subject matter

On the terms of the Lease Agreement, BBA have agreed to lease to Shenyang Xinchun the Disposed Assets for its production of crankshafts and connecting rods in accordance with the New Supply Contracts.

Term

Sixty-six months, commencing on the Closing Date.

If Shenyang Xinchun wishes to continue to lease the Disposed Assets after the expiry of the term, it shall submit a written request to BBA twelve months before the expiry of the term for renewal. If BBA agrees to renew the lease under the Lease Agreement, BBA and Shenyang Xinchun shall sign either a new equipment lease agreement or a supplementary agreement to the Lease Agreement.

Under the Lease Agreement, Shenyang Xinchun does not have any right or option to acquire the Disposed Assets at the expiry of the term of the lease.

Rent

RMB930.26 million in total, payable monthly.

The rent was determined with reference to the Purchase Price plus the related taxes and duties payable and transaction costs incurred by BBA in connection with the Disposal.

The Directors (including the independent non-executive Directors) consider that the rent is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Early termination

If Shenyang Xincheng fails to perform any obligations under the New Supply Contracts, BBA shall be entitled to give Shenyang Xincheng an advance written notice of 30 working days to terminate the Lease Agreement.

In the following circumstances, BBA or Shenyang Xincheng shall have the right to notify the other party 10 working days in advance to terminate the Lease Agreement:

- (a) where the other party has committed a material breach of the Lease Agreement, and it still fails to perform its obligations or rectify such breach within a reasonable time after being demanded by such party; or where the breach of the other party makes such party completely unable to achieve the purpose of the Lease Agreement;
- (b) where the other party is ordered to suspend its business or has its business licence revoked by the relevant competent authority;
- (c) where the other party applies for bankruptcy, dissolution, liquidation or similar judicial proceedings by itself or by a third party; or
- (d) where the Lease Agreement cannot be performed for a period reaching one month due to force majeure.

Where the New Supply Contracts expire or are early terminated, the Lease Agreement shall expire or be early terminated at the same time without affecting BBA's right to claim against Shenyang Xincheng for breach of the Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSET PURCHASE AGREEMENT AND THE LEASE AGREEMENT

The Company is an investment holding company and is the holding company of 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. The Sellers are wholly-owned subsidiaries of the Company with business operations in the PRC.

As a means of improving the liquidity of the Group and raising fund for repayment of the Loan, the Group has been looking for a suitable buyer to purchase the Disposed Assets at a reasonable price through a public auction. BBA has just been identified as the highest bidder in the Public Listing Process who is willing to pay a price which the Directors consider fair and reasonable. Apart from the Disposal, the Group has explored other means to finance the repayment of the Loan. The Group has approached various banks in the PRC for financing. Although the liabilities to assets ratio of the Company is not high, given that the percentage of current liabilities to current assets of the Company on a consolidated basis is relatively high, coupled with the lack of suitable available assets that may be given as security, the Group has only been able to obtain a total sum of further bank borrowings which is far from sufficient to repay the Loan in full.

The Company considers the transactions to be beneficial to the Group as the Group could fully repay the Loan and obtain additional working capital to support its business activities, capital expenditure and repayment of certain other loans while at the same time maintaining the operation rights over the crankshaft and connecting rod production lines by leasing them back from BBA, which continues to generate cash flow to the Group. The Directors are of the view that the Disposal represents a good opportunity for the Group to realize its investment in its assets to enable it to deploy its resources in a more efficient manner.

The Disposed Assets mainly consist of two crankshaft production lines and one connecting rod production line together with their supporting equipment and facilities. The production lines are located at the Group's production plants in Mianyang, Sichuan Province and Shenyang, Liaoning Province, with a total unaudited book value of approximately RMB633.52 million as at 31 December 2021 and an appraised value of approximately RMB819.35 million as at 30 June 2021. The crankshafts and connecting rods produced using the Disposed Assets are among the major products of the Group. At present, the Group owns four crankshaft production lines and two connecting rod production lines. After the Disposal, the Group will own two crankshaft production lines and one connecting rod production line used to manufacture products for the other customers of the Group than BBA. The Directors consider that the lease-back arrangement under the Lease Agreement serves to ensure that the Group's operation of the crankshaft production lines and the connecting rod production line comprised in the Disposal Assets will not be affected by the Disposal as the Group will, after the Disposal, be able to continue to use the Disposed Assets in its operation in the same manner before the Disposal.

Having considered the above, the Directors consider that the Asset Purchase Agreement (including the Supplementary Agreement), the Lease Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and on normal commercial terms and that the terms of the Asset Purchase Agreement (including the Supplementary Agreement) and the Lease Agreement are fair and reasonable.

INFORMATION OF THE PARTIES INVOLVED

The Group

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

Mianyang Xinchun

Mianyang Xinchun is an indirect wholly-owned subsidiary of the Company, which was established in the PRC with limited liability on 23 March 1998 and is principally engaged in the development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles.

Mianyang Xincheng (Shenyang Branch)

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

Shenyang Xincheng

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

BBA

BBA is a sino-foreign equity joint venture company incorporated in the PRC and as at the date of this announcement is owned as to 25% by Shenyang Jinbei Industry Holdings Co., Ltd.* (瀋陽金杯汽車工業控股有限公司), an indirect wholly-owned subsidiary of Brilliance China, and 75% by BMW Holding B.V. To the best knowledge, information and belief of the Directors, BMW Holding B.V. is an indirect subsidiary of BMW AG, a German multinational company which produces automobiles and motorcycles and is listed on the Frankfurt Stock Exchange.

Save as disclosed in this announcement, BBA and its ultimate controlling shareholder(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE DISPOSAL

As a result of the Disposal, the Directors expect that the Group will record an unaudited gain on the Disposal of approximately RMB172.07 million, being the difference between the consideration from the Disposal of approximately RMB925.86 million, the total unaudited net book value of the Disposed Assets of approximately RMB633.52 million as at 31 December 2021, the value added tax of approximately RMB106.51 million, other miscellaneous taxes of approximately RMB12.78 million and other transaction cost of RMB0.98 million incurred. Such calculation is only an estimate provided for illustrative purposes and the accounting treatment of the Disposal will be subject to further review by the auditors of the Company.

As disclosed in the paragraph headed “Purchase Price” above in this announcement, the Group will receive a sum of approximately RMB425.86 million, being the Purchase Price less the principal amount of the Loan in the sum of RMB500.00 million. The net proceeds from the Disposal (after deducting value added tax, other miscellaneous taxes and other transaction cost) are approximately RMB305.59 million. The Group intends to use such net proceeds of RMB100.00 million as general working capital of the Group and the remaining for the capital expenditure on hybrid engines development including the range extender and other engine components business development plus repayment of certain other loans of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal is higher than 75%, the Asset Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

According to HKFRS 16, the Company will recognize the lease of the Disposed Assets under the Lease Agreement as a right-of-use asset in the sum of approximately RMB728.78 million (subject to adjustment based on, among others, the applicable discount rate) which shall be the present value of the total rent. The recognition of such a right-of-use asset will be regarded as an acquisition of asset under Rule 14.04(1)(a) of the Listing Rules. As the highest applicable percentage ratio in respect of the lease of the Disposed Assets under the Lease Agreement is higher than 100%, the Lease Agreement and the transactions contemplated thereunder constitute a very substantial acquisition for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, amongst other things, details of the Asset Purchase Agreement, the Lease Agreement and a notice convening the Extraordinary General Meeting for the Shareholders to consider and, if thought fit, approve the Asset Purchase Agreement, the Lease Agreement and the transactions contemplated thereunder is expected to be despatched on or before 16 June 2022.

DEFINITIONS

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

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| “Asset Purchase Agreement” | the Original AP Agreement, as supplemented and revised by the Supplementary Agreement; |
| “Assigned Contracts” | the agreements, contracts, other similar arrangements of every kind entered into by the Sellers in connection with the operation of, among others, the production lines, supporting equipment and facilities relating to the production of crankshaft and connecting rod owned by the Sellers and the rights under such agreements, contracts and other similar arrangements; |
| “BBA” | BMW Brilliance Automotive Ltd.* (華晨寶馬汽車有限公司), a sino-foreign equity joint venture company incorporated in the PRC which is owned as to 25% by Shenyang Jinbei Automotive Industry Holdings Co., Ltd.* (瀋陽金杯汽車工業控股有限公司) (an indirect wholly-owned subsidiary of Brilliance China) and 75% by BMW Holdings B.V.; |

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| “BMW AG” | Bayerische Motoren Werke Aktiengesellschaft; |
| “Board” | the board of Directors; |
| “Brilliance China” | Brilliance China Automotive Holdings Limited (華晨中國汽車控股有限公司*), a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange, and a controlling shareholder of the Company; |
| “Business Day” | any day on which commercial banks within the PRC are generally open for normal business; |
| “Closing” | closing of the Disposal in accordance with the Asset Purchase Agreement; |
| “Closing Date” | the date on which Closing occurs; |
| “Company” | Xinchen China Power Holdings Limited (新晨中國動力控股有限公司), an exempted company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange; |
| “controlling shareholder(s)” | has the meaning as defined in the Listing Rules; |
| “Directors” | the directors of the Company; |
| “Disposal” | the disposal of the Disposed Assets by the Sellers to BBA; |
| “Disposed Assets” | production lines, supporting equipment and facilities relating to the production of crankshaft and connecting rod owned by Mianyang Xinchen and Shenyang Xinchen, together with all rights, title, and interest in and to, among others, the Assigned Contracts and the intellectual property pertaining to the Sellers’ operations of their crankshaft and connecting rod business. For the avoidance of doubt, the land use right and property ownership of buildings owned by Shenyang Xinchen relating to the production of crankshaft and connecting rod which form part of the assets mortgaged in favour of BBA as security for the Loan are not included in the Disposed Assets; |
| “Extraordinary General Meeting” | the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Asset Purchase Agreement, the Lease Agreement and the transactions contemplated thereunder; |

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| “Group” | the Company and its subsidiaries; |
| “HKFRS” | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Lease Agreement” | the equipment lease agreement (設備租賃協定) dated 25 May 2022 and entered into between BBA as lessor and Shenyang Xincheng as lessee in relation to the lease of the Disposed Assets; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Loan” | the secured interest-bearing loan in the principal amount of RMB500.00 million advanced by BBA to the Sellers pursuant to the Support Agreement; |
| “Long-term Supply Contracts” | collectively: (i) the purchase agreement for finished crankshafts entered into between BBA and Mianyang Xincheng on 21 January 2015, pursuant to which BBA has agreed to purchase and Mianyang Xincheng has agreed to sell finished crankshafts which are to be produced by using the Disposed Assets and for the sole purpose of supplying to BBA for its assembly of N20 engines and Bx8 engines, as extended from time to time; and (ii) the contractual documents in relation to the supply of “B48 Extra 30u Conrod” connecting rods by Mianyang Xincheng (Shenyang Branch) to BBA (including without limitation the BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components, Framework Agreement for Supply to BMW Brilliance Automotive Ltd., Warranty Agreement and Series Orders) executed by Mianyang Xincheng (Shenyang Branch) and BBA dated 4 August 2014; |
| “Material Adverse Effect” | a material adverse effect on the Disposed Assets, the value of the Disposed Assets or the transactions contemplated by the Asset Purchase Agreement; |
| “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; |

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| “Mianyang Xincheng (Shenyang Branch)” | Mianyang Xincheng Engine Co., Ltd. Shenyang Branch* (綿陽新晨動力機械有限公司瀋陽分公司), the branch company of Mianyang Xincheng established in Shenyang, Liaoning, the PRC; |
| “New Supply Contracts” | the Original Supply Contracts, as amended by the novation agreement entered between the Sellers and BBA on 10 February 2022 in respect of the Original Supply Contracts, pursuant to which Shenyang Xincheng shall undertake all the rights, obligations and liabilities in place of Mianyang Xincheng and Mianyang Xincheng (Shenyang Branch) respectively, and be bound by the entire terms and conditions of the Original Supply Contracts as of 10 February 2022 (unless otherwise provided in such agreement); |
| “Original AP Agreement” | the conditional original asset purchase agreement (資產購買協議) dated 25 May 2022 and entered into between the Sellers as vendors and BBA as purchaser in relation to the Disposal; |
| “Original Supply Contracts” | collectively: (i) the Long-term Supply Contracts; and (ii) the raw materials supply agreement entered into by and between Mianyang Xincheng and BBA on 21 January 2015 and/or the sales agreement on parts to be used for production of Bx8 conrod entered into by and between Mianyang Xincheng (Shenyang Branch) and BBA in 2016; |
| “PRC” | The People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan; |
| “Public Listing Process” | the process for the proposed sale of the Disposed Assets by the Sellers at the Shenyang Asset Exchange via asset and equity exchange by public information disclosure; |
| “Purchase Price” | approximately RMB925.86 million, being the total purchase price which BBA shall pay to the Sellers for the Disposed Assets pursuant to the Asset Purchase Agreement; |
| “Sellers” | collectively, Mianyang Xincheng, Mianyang Xincheng (Shenyang Branch) and Shenyang Xincheng; |
| “Share(s)” | ordinary share(s) in the Company with a nominal value of HK\$0.01 each; |
| “Shareholder(s)” | holder(s) of Share(s); |

| | |
|---------------------------|--|
| “Shenyang Asset Exchange” | Shenyang United Assets and Equity Exchange* (瀋陽聯合產權交易所); |
| “Shenyang Xinchēn” | Xinchēn Engine (Shenyang) Co., Limited* (新晨動力機械(瀋陽)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Supplementary Agreement” | the supplementary agreement to asset purchase agreement (資產購買協議之補充協議) dated 25 May 2022 and entered into between the Sellers and BBA, which is supplementary to the Original AP Agreement; |
| “Support Agreement” | the support agreement (支持協議) dated 11 May 2021 between BBA and the Sellers, as supplemented and revised by a supplemental agreement thereto dated 2 July 2021; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “RMB” | Renminbi, the lawful currency of the PRC; and |
| “%” | per cent. |

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

Hong Kong, 25 May 2022

As at the date of this announcement, the Board comprises two executive Directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (Chairman) and Mr. Wang Yunxian (Chief Executive Officer); two non-executive Directors, Mr. Han Song and Mr. Yang Ming; and three independent non-executive Directors, Mr. Chi Guohua, Mr. Wang Jun and Mr. Huang Haibo.

* for identification purpose only