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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 Xinchen 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)**

#### **BBA COMPLIANCE AGREEMENT – RENEWAL OF TERM AND ANNUAL CAPS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

 金融有限公司  
OCTAL Capital Limited

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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 4 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular.

A letter from Octal Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 46 of this circular.

A notice convening the Extraordinary General Meeting to be held at Pheasant & Jasmine Room, 1st Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 11 December 2019 at 9:00 a.m. is set out on pages 54 to 56 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.

1 November 2019

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“BBA”	BMW Brilliance Automotive Ltd. (華晨寶馬汽車有限公司*), a sino-foreign equity joint venture company incorporated in the PRC which is owned as to 50% by Shenyang Jinbei (an indirect wholly-owned subsidiary of Brilliance China) and 50% by BMW Holdings B.V.;
“BBA Compliance Agreement”	the compliance agreement dated 23 May 2014 entered into between BBA, the Company and Mianyang Xinchun in relation to the sale and purchase of, among others, engine parts and components and raw materials for manufacturing engines and engine parts and components (as the case may be) and the provision of related services;
“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;
“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;
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;

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## DEFINITIONS

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“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held at Pheasant & Jasmine Room, 1st Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 11 December 2019 at 9:00 a.m. for considering and, if thought fit, approving, among other things, (i) the third term of the BBA Compliance Agreement; and (ii) the Proposed Annual Caps, or any adjournment thereof;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Huachen”	Huachen Automotive Group Holdings Company Limited* (華晨汽車集團控股有限公司), a state-owned company incorporated in the PRC and a controlling shareholder of Brilliance China;
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to (i) the third term of the BBA Compliance Agreement; and (ii) the Proposed Annual Caps;
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the third term of the BBA Compliance Agreement; and (ii) the Proposed Annual Caps;
“Independent Shareholder(s)”	Shareholder(s) other than Brilliance China, Mr. Wu Xiao An and their respective associates;
“Latest Practicable Date”	28 October 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular;

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proposed Annual Caps”	the estimated annual monetary value of the transactions contemplated under the BBA Compliance Agreement for the three years ending 31 December 2022;
“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);
“Shenyang Jinbei”	Shenyang Jinbei Automotive Industry Holdings Co., Ltd.* (瀋陽金杯汽車工業控股有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of Brilliance China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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

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LETTER FROM THE BOARD

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**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:*

Mr. Liu Tongfu

Mr. Yang Ming

*Independent Non-executive Directors:*

Mr. Chi Guohua

Mr. Wang Jun

Mr. Huang Haibo

Mr. Wang Songlin

*Registered office:*

Clifton House

75 Fort Street

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

1 November 2019

*To all Shareholders*

Dear Sir/Madam,

**BBA COMPLIANCE AGREEMENT –  
RENEWAL OF TERM AND ANNUAL CAPS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 18 September 2019 in relation to, among others: (i) the third term of the BBA Compliance Agreement; and (ii) the Proposed Annual Caps in respect of the transactions contemplated under the BBA Compliance Agreement for each of the three years ending 31 December 2022.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among others, (i) details of the BBA Compliance Agreement; (ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the third term of the BBA Compliance Agreement and the Proposed Annual Caps; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the third term of the BBA Compliance Agreement and the Proposed Annual Caps; and (iv) a notice of the Extraordinary General Meeting.

### **BBA COMPLIANCE AGREEMENT**

Reference is made to the announcements of the Company dated 23 May 2014, 21 January 2015 and 13 September 2016 and the circulars of the Company dated 28 May 2014, 18 February 2015 and 12 October 2016 in relation to, among others, the transactions contemplated under the BBA Compliance Agreement which constitute continuing connected transactions for the Company under the Listing Rules.

The second term of the BBA Compliance Agreement commenced on 17 June 2017, and upon its expiry on 16 June 2020, will be automatically renewed for a further term of three years up to and including 16 June 2023 subject to the compliance with the relevant requirements of the Listing Rules. The existing annual caps in respect of the second term of the BBA Compliance Agreement will expire on 31 December 2019.

The Board wishes to seek the Independent Shareholders' approval for (i) the third term of the BBA Compliance Agreement; and (ii) the Proposed Annual Caps in respect of the transactions contemplated under the BBA Compliance Agreement for each of the three years ending 31 December 2022.

The principal terms of the BBA Compliance Agreement are set out below:

**Date:** 23 May 2014

**Parties:** BBA, the Company and Mianyang Xinchun

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## **LETTER FROM THE BOARD**

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### **Nature of the Continuing Connected Transactions**

Pursuant to the BBA Compliance Agreement, the parties have agreed on certain principles for the following transactions:

1. the Group will sell to BBA or its subsidiaries and BBA or its subsidiaries will purchase from the Group engine parts and components and raw materials for manufacturing engines and engine parts and components from time to time;
2. BBA or its subsidiaries will sell to the Group and the Group will purchase from BBA or its subsidiaries engine parts and components and raw materials for manufacturing engine parts and components from time to time; and
3. BBA or its subsidiaries will provide to the Group consulting and advisory services relating to engines or engine parts and components from time to time.

### **Term**

The initial term of the BBA Compliance Agreement was for three (3) years from the effective date of the BBA Compliance Agreement (inclusive of the first day and the last day of the term). Upon the expiry of the initial term, the BBA Compliance Agreement will be automatically renewed for successive periods of three (3) years subject to compliance with the requirements of the Listing Rules (including the independent shareholders' approval requirement).

### **Operational Agreements and Purchase Orders**

The parties may enter into separate operational agreements and purchase orders from time to time which contain particulars pertaining to the sale and purchase of, among others, engine parts and components and raw materials for manufacturing engines and engine parts and components (as the case may be) and the provision of related consulting and advisory services (including provisions relating to the price, quantity, quality and payment method). The terms of these operational agreements and purchase orders must be consistent with and subject to the terms of the BBA Compliance Agreement, on normal commercial terms and on an arm's length basis.



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## LETTER FROM THE BOARD

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### Payment Terms

BBA shall issue an invoice within the first 10 days of each month for the engine parts and components delivered during the previous month, and then payment shall be made by Mianyang Xincheng within 45 days after receiving the invoice. With respect to the provision of technical consulting and advisory services, BBA shall issue a quarterly invoice to Mianyang Xincheng based on a list specifying the working time and the related costs, and then payment shall be made by Mianyang Xincheng within 45 days after receiving the invoice.

Mianyang Xincheng shall issue an invoice within the first 10 days of each month for the engine parts and components delivered during the previous month. BBA shall make the payment within 45 days calculated from the 25th day of the month when it receives the invoice from Mianyang Xincheng.

### Proposed Annual Caps

A summary of the Proposed Annual Caps is set out below:

Details of the relevant continuing connected transactions	Proposed annual caps		
	For the year ending 31 December 2020 (RMB '000)	For the year ending 31 December 2021 (RMB '000)	For the year ending 31 December 2022 (RMB '000)
(1) Sale of engine parts and components and raw materials for manufacturing engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	117,000	123,000	127,000
(2) Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	917,000	963,000	992,000

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## LETTER FROM THE BOARD

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### **Basis of the Proposed Annual Caps**

The above Proposed Annual Caps have been determined primarily based on the following:

1. the estimated volume of engine parts and components and raw materials for manufacturing engine parts and components required by the Group, the estimated volume of engine parts and components and raw materials for manufacturing engines and engine parts and components by BBA and its subsidiaries, with reference to the expected market demand for products of BBA;
2. the estimated volume of engine parts and components to be exported to BMW AG;
3. the designed annual production capacity of the Group and the planned upgrade of and expansion in the production capacity of the Group to produce crankshafts;
4. the expected unit prices for the engine parts and components and raw materials for manufacturing engines and engine parts and components (as the case may be);
5. the estimated increase in demand by BBA for finished Bx8 crankshafts and connecting rods from the Group, as a result of the introduction of new models and vehicles by BBA which is more particularly discussed in the section headed "Letter from the Independent Financial Adviser" in this circular; and
6. a buffer of the expected transaction amounts which has been included in determining the amount of the Proposed Annual Caps to cater for the fluctuation in foreign exchange rate and uncertainty of change in transaction volume, transaction price and type of products to be transacted and the procurement of related consulting and advisory services from BBA or its subsidiaries in relation to the production of the engine parts and components to be supplied to BBA when necessary.

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## LETTER FROM THE BOARD

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### Existing caps and historical transaction amounts

Details of the relevant continuing connected transactions	For the year ended		For the year ended		For the	For the
	31 December 2017		31 December 2018		year ending	eight months
	Existing		Existing		31 December	ended
	Cap	Actual	Cap	Actual	2019	2019
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
(1) Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	662,998	164,457	588,051	179,722	556,362	36,103
(2) Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	575,200	463,300	578,975	577,930	602,244	406,013

### Pricing policies

The pricing policies for the continuing connected transactions contemplated under the BBA Compliance Agreement are set out below:

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## LETTER FROM THE BOARD

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**A *Purchase of engine parts and components and raw materials and the related consulting and advisory services by the Group from BBA or its subsidiaries:***

<b>Major types of engine parts and components involved</b>	<b>Pricing policy</b>	<b>Procedures for determining the major terms of the continuing connected transactions</b>
Crankshafts related parts for manufacturing of finished Bx8 crankshafts	Cost plus approach	Regarding the purchase prices of the crankshaft related parts, the project director, who is in charge of crankshaft business, and BBA will communicate regularly to discuss, among others, the raw materials and procurement costs of BBA from its suppliers and its production costs in processing any components before on-sale to the Group (if any). The project director will propose the purchase prices of the crankshaft related parts to the Group's Chief Financial Officer, who will then assess the reasonableness of the purchase prices with reference to the historical production costs structure of finished crankshafts manufactured by the Group. Production costs structure mainly comprises: (a) raw material purchase cost; (b) depreciation cost of plant and machinery; (c) wages for production; (d) electricity and water supplies cost; (e) consumables and repair and maintenance cost; and (f) transportation and others. The purchase prices are expected to be comparable to the historical production costs structure of crankshafts sold by the Group in the latest financial year. By referring to such historical production costs structure (in particular, raw material purchase cost, and its portion which constitutes the total cost), the Group's Chief Financial Officer would be able to come up with an assessment as to the reasonableness of the latest purchase price of the crankshafts related parts. The purchase prices will then be acknowledged by the Group's Chief Executive Officer.

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## LETTER FROM THE BOARD

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<b>Major types of engine parts and components involved</b>	<b>Pricing policy</b>	<b>Procedures for determining the major terms of the continuing connected transactions</b>
Connecting rods related parts for manufacturing of finished Bx8 connecting rods	Cost plus approach	In respect of the purchase prices of the connecting rods related parts, the project director, who is in charge of component business, and BBA will communicate regularly to discuss, among others, the raw materials and procurement costs of BBA from its suppliers. The project director will propose the purchase prices of connecting rods related parts to the Group's Chief Financial Officer, who will then assess the reasonableness of the purchase prices with reference to the historical production costs structure of finished Bx8 connecting rods manufactured by the Group. Production costs structure mainly comprises: (a) raw material purchase cost; (b) depreciation cost of plant and machinery; (c) wages for production; (d) electricity and water supplies cost; (e) consumables and repair and maintenance cost; and (f) transportation and others. The purchase prices are expected to be comparable to the historical production costs structure of Bx8 connecting rods sold by the Group in the latest financial year. By referring to such historical production costs structure (in particular, raw material purchase cost, and its portion which constitutes the total cost), the Group's Chief Financial Officer would be able to come up with an assessment as to the reasonableness of the latest purchase price of the connecting rods related parts. The purchase prices will then be approved by the Group's Chief Executive Officer.

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## LETTER FROM THE BOARD

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<b>The related consulting and advisory services involved</b>	<b>Pricing policy</b>	<b>Procedures for determining the major terms of the continuing connected transactions</b>
Consultation and advisory services and shared services	Cost plus approach	<p data-bbox="847 346 1370 1081">The Group will negotiate with BBA and determine the consultancy fee based on the estimated number of production associates and consultants required, the estimated working hours and the relevant applicable charging rates. During the meeting, the Group will also discuss the profile of production associates and consultants to be assigned by BBA in order to assess the qualification of the production associates and consultants. The project director will obtain a list of personnel to be assigned by BBA together with the prices list from BBA, which will then be reviewed by the Group's Chief Financial Officer. When assessing the reasonableness of the applicable charging rate of BBA's production associates and consultants, the Group's Chief Financial Officer will make reference to, among others, the internal remuneration guidance for the Group's employees, the academic background and technical knowledge of BBA's production associates and consultants and the market remuneration package for PRC-based company and international company of the relevant industry. After that, the list of personnel and prices list will be approved by the Group's Chief Executive Officer.</p> <p data-bbox="847 1112 1370 1596">The estimated amount payable to BBA by sharing BBA's certain function, facilities and services, such as general administrative costs, will be based on the actual costs to be incurred by BBA and shall be primarily apportioned based on routing time for producing one unit of crankshaft and number of production associates and consultants of BBA working on the crankshaft production line. The project director will discuss the scope of shared services and the methods for apportioning the costs for the shared services with BBA. The Group's Chief Financial Officer will review the prices list and assess the prices with reference to the Group's internal costs incurred for relevant services. After that, the prices list will be approved by the Group's Chief Executive Officer.</p>

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## LETTER FROM THE BOARD

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***B Sale of engine parts and components and raw materials by the Group to BBA or its subsidiaries:***

<b>Major types of engine parts and components and raw materials involved</b>	<b>Pricing policy</b>	<b>Procedures for determining the major terms of the continuing connected transactions</b>
Finished Bx8 connecting rods and finished crankshafts	Cost plus approach	The project director will propose to the Group's Chief Financial Officer the sale prices of the engine parts and components on the basis of the Group's production cost plus a profit margin. The Group's Chief Financial Officer will then review the sale prices and calculation proposed by the project director. The fairness and reasonableness of the profit margins for sales of engine parts and components of the Group is assessed by the Group's Chief Financial Officer taking into account the historical profit margins set by the Group for the sales of such engine parts and components to BBA. The project director will then negotiate the sale prices (including the profit margin) with BBA. The profit margin is reviewed on an annual basis. After that, the Group's Chief Financial Officer will further review the proposed sale prices. The proposed sale prices will then be approved by the Group's Chief Executive Officer.

The Directors consider the above pricing mechanism to be in line with the general market practice and the proposed transactions with BBA to be on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL

The Group has adopted the following internal control measures to ensure that the continuing connected transactions under the BBA Compliance Agreement are conducted in accordance with the terms of the BBA Compliance Agreement and the above-mentioned pricing policies and within the Proposed Annual Caps:

1. Mianyang Xincheng has set up a controlling team comprising staff from its purchase department, sales department and finance department as assigned by the senior management of Mianyang Xincheng, which is responsible for monitoring the continuing connected transactions contemplated under the BBA Compliance Agreement on a regular basis (including in respect of costs, purchase and sale prices and purchase and sale volume) to make sure that the transaction amounts do not exceed the approved annual limit;
2. the independent non-executive Directors will review and confirm whether the continuing connected transactions contemplated under the BBA Compliance Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will conduct an annual review of the status of these transactions to ensure the Group has complied with the relevant requirements of the Listing Rules; and
3. the Company will continue to engage independent auditors to review the continuing connected transactions under the BBA Compliance Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

### MATERIAL INTEREST OF DIRECTORS IN THE BBA COMPLIANCE AGREEMENT

Mr. Wu Xiao An, an executive Director and chairman of the Company, is also the chairman and an executive director of Brilliance China and a director of Huachen (which is a controlling shareholder of Brilliance China and a deemed connected person of the Company by the Stock Exchange). Mr. Liu Tongfu, a non-executive Director, is also a director of Huachen. Accordingly, Mr. Wu Xiao An and Mr. Liu Tongfu abstained from voting on the Directors resolutions in respect of the third term of the BBA Compliance Agreement and the Proposed Annual Caps.

The Board confirms that except for Mr. Wu Xiao An and Mr. Liu Tongfu, none of the Directors has any material interest in the BBA Compliance Agreement. Accordingly, none of the Directors (except for Mr. Wu Xiao An and Mr. Liu Tongfu who abstained as mentioned above) was required to abstain from voting on the Directors resolutions in respect of the third term of the BBA Compliance Agreement and the Proposed Annual Caps.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF RENEWING THE TERM OF THE BBA COMPLIANCE AGREEMENT

As the market demand for BMW vehicles remains relatively strong and stable, a stable collaboration between Mianyang Xincheng and BBA would help the Company to diversify its revenue stream and improve its management capabilities and levels. In addition, the Company will be able to leverage on its stable and close business relationship with BBA to explore further business opportunities with BMW AG, which will help the Group to expand its business to overseas markets.

The Directors (excluding the Directors who abstained from voting on the Directors resolutions but including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the transactions contemplated under the third term of the BBA Compliance Agreement are in the interests of the Company and the Shareholders as a whole and are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and that the terms of the third term of the BBA Compliance Agreement and the Proposed Annual Caps 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.

#### BBA

BBA is a sino-foreign equity joint venture company incorporated in the PRC and as at the Latest Practicable Date was owned as to 50% by Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China, and 50% by BMW Holding B.V. To the best knowledge, information and belief of the Directors, BMW Holding B.V. is an indirect subsidiary of BMW AG, a German multinational company which produces automobiles and motorcycles and is listed on the Frankfurt Stock Exchange. According to the public information available on the website of the Frankfurt Stock Exchange, the two largest ultimate beneficial owners of BMW AG are Mr. Stefan Quandt and Ms. Susanne Klatten, holding approximately 25.83% and 20.94% of the voting rights of BMW AG respectively. The principal activities of BBA include but are not limited to manufacture and sale of BMW vehicles.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Brilliance China, a controlling shareholder of the Company, was indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the third term of the BBA Compliance Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Proposed Annual Caps of the transactions contemplated under the BBA Compliance Agreement are higher than 5% on an annual basis and each Proposed Annual Cap exceeds HK\$10 million, the third term of the BBA Compliance Agreement and the Proposed Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the third term of the BBA Compliance Agreement and the Proposed Annual Caps to be held at Pheasant & Jasmine Room, 1st Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 11 December 2019 at 9:00 a.m., is set out on pages 54 to 56 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 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 Independent Shareholders by way of poll.

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## **LETTER FROM THE BOARD**

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As at the Latest Practicable Date, Brilliance China was interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company. Huachen, being interested in approximately 42.32% of the issued share capital of Brilliance China, is a controlling shareholder of Brilliance China. As at the Latest Practicable Date, Mr. Wu Xiao An, an executive Director and chairman of the Company, was interested and deemed to be interested in an aggregate of 42,313,426 Shares, representing approximately 3.30% of the issued share capital of the Company. Brilliance China, Mr. Wu Xiao An and their respective associates will abstain from voting on the ordinary resolution to be proposed at the Extraordinary General Meeting in respect of the third term of the BBA Compliance Agreement and the Proposed Annual Caps.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the third term of the BBA Compliance Agreement and the Proposed Annual Caps are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee containing its recommendation set out on pages 19 to 20 of this circular.

### **INDEPENDENT FINANCIAL ADVISER**

Octal Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the third term of the BBA Compliance Agreement and the Proposed Annual Caps are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Octal Capital is set out on pages 21 to 46 of this circular.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board (excluding Mr. Wu Xiao An and Mr. Liu Tongfu who abstained from voting on the Directors resolutions but including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular after taking into consideration the advice of the Independent Financial Adviser) believes that the third term of the BBA Compliance Agreement and the Proposed Annual Caps 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 Board (excluding Mr. Wu Xiao An and Mr. Liu Tongfu who abstained from voting on the Directors resolutions but including the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular after taking into consideration the advice of the Independent Financial Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the third term of the BBA Compliance Agreement and the Proposed Annual Caps.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix 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*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

1 November 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**BBA COMPLIANCE AGREEMENT –  
RENEWAL OF TERM AND ANNUAL CAPS**

We refer to the circular issued by the Company to its Shareholders dated 1 November 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the third term of the BBA Compliance Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Details of the BBA Compliance Agreement and the Proposed Annual Caps are set out in the letter from the Board contained in the Circular. Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the third term of the BBA Compliance Agreement and the Proposed Annual Caps. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser contained in the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the BBA Compliance Agreement and the Proposed Annual Caps and taking into account the information contained in the Circular and the advice of Octal Capital, we are of the opinion that the third term of the BBA Compliance Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be put forward at the Extraordinary General Meeting to approve the third term of the BBA Compliance Agreement and the Proposed Annual Caps.

Yours faithfully,

**Independent Board Committee**

**Mr. Chi Guohua**

**Mr. Wang Jun**

**Mr. Huang Haibo**

**Mr. Wang Songlin**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Octal Capital which has been prepared for inclusion in this circular.*



801-805, 8/F, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

1 November 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **BBA COMPLIANCE AGREEMENT – RENEWAL OF TERM AND ANNUAL CAPS**

#### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the third term of the BBA Compliance Agreement and the Proposed Annual Caps in respect of: i) the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components (as the case may be) and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group for each of the three years ending 31 December 2022 (the “**Purchase Caps**”); and ii) the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries for each of the three years ending 31 December 2022 (the “**Supply Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the Shareholders dated 1 November 2019 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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References are made to the announcements of the Company dated 23 May 2014, 21 January 2015, 13 September 2016, 18 September 2019 and the circulars of the Company dated 28 May 2014, 18 February 2015 and 12 October 2016, all in relation to, *inter alia*, the transactions contemplated under the BBA Compliance Agreement which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The second term of the BBA Compliance Agreement and the revised annual caps for the transactions contemplated under the second term of the BBA Compliance Agreement (the “**Previous Annual Caps**”) were approved at the extraordinary general meeting of the Company held on 1 November 2016. The second term of the BBA Compliance Agreement will expire on 16 June 2020, while the Previous Annual Caps will expire on 31 December 2019. The Board wishes to seek Independent Shareholders’ approval on (i) the third term of the BBA Compliance Agreement for another three-year period upon expiry of the second term of the BBA Compliance Agreement on 16 June 2020, pursuant to which the Group will supply engine parts and components for manufacturing engines and engine parts and components to BBA or its subsidiaries. On the other hand, the Group will procure raw materials, engine parts and components and related parts from BBA or its subsidiaries for manufacturing engine parts and components to be supplied to BBA or its subsidiaries from time to time and procure related consulting and advisory services from BBA or its subsidiaries in relation to the production of the engine parts and components to be supplied to BBA when necessary.

As at the Latest Practicable Date, Brilliance China, a controlling shareholder of the Company, was indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company. As the applicable percentage ratios in respect of the Proposed Annual Caps of the transactions contemplated under the BBA Compliance Agreement are higher than 5% on an annual basis and each of the Purchase Caps and the Supply Caps exceeds HK\$10 million, accordingly the third term of the BBA Compliance Agreement and the Proposed Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the foregoing, the Company will seek to obtain the approval of the Independent Shareholders on the third term of the BBA Compliance Agreement and the Proposed Annual Caps at the Extraordinary General Meeting. On the other hand, Mr. Wu Xiao An, an executive Director and chairman of the Company, who is also the chairman and an executive director of Brilliance China and a director of Huachen (which is a controlling shareholder of Brilliance China and a deemed connected person of the Company by the Stock Exchange), and Mr. Liu Tongfu, a non-executive Director, who is also a director of Huachen, are deemed to have a material interest in the transactions contemplated under the third term of the BBA Compliance Agreement and the Proposed Annual Caps and had abstained from voting on the Board resolutions in respect of the third term of the BBA Compliance Agreement and the Proposed Annual Caps. As at the Latest Practicable Date, Brilliance China was interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company. On the other hand, Mr. Wu Xiao An was interested or deemed to be interested in an aggregate of 42,313,426 Shares, representing approximately 3.30% of the issued share capital of the Company. Accordingly, Mr. Wu Xiao An, Brilliance China and their respective associates are required to abstain from voting on the ordinary resolutions in relation to the third term of the BBA Compliance Agreement, and the Proposed Annual Caps at the Extraordinary General Meeting. In addition, the Independent Board Committee comprising all the independent non-executive Directors, being Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, has been established to advise the Independent Shareholders on whether the terms of the third term of the BBA Compliance Agreement, and the Proposed Annual Caps are on normal commercial terms and fair and reasonable and whether the third term of the BBA Compliance Agreement, and the Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole. In this regard, Octal Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

As at the Latest Practicable Date, we, Octal Capital Limited, are not connected with the directors, chief executive and substantial shareholders of the Company, Mianyang Xincheng, Brilliance China, BBA or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company in respect of certain connected transactions (details can be referred to the circulars of the Company dated 2 November 2017 and 23 November 2018). Under such engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and the Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with these appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, Mianyang Xincheng, Brilliance China and BBA or any of their respective subsidiaries or associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group, the third term of the BBA Compliance Agreement and the Proposed Annual Caps including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Mianyang Xinchun, Brilliance China, BBA and their respective associates nor have we carried out any independent verification of the information supplied.

### **BBA COMPLIANCE AGREEMENT – RENEWAL OF ANNUAL CAPS**

#### **Principal factors and reasons considered**

In arriving at our opinion regarding the terms of the third term of the BBA Compliance Agreement, the Purchase Caps and the Supply Caps, we have considered the following principal factors and reasons:

**1. *Background to and the reasons for the renewal of the continuing connected transactions contemplated under the third term of the BBA Compliance Agreement***

*Background of the Company*

The Group is principally engaged in the development, manufacture and sale of automotive engine for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of passenger vehicles in the PRC. On the other hand, BBA is a sino-foreign equity joint venture company incorporated in the PRC and as at the Latest Practicable Date was owned as to 50% by Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China, and 50% by BMW Holding B.V.. To the best knowledge, information and belief of the Directors, BMW Holding B.V. is an indirect subsidiary of BMW AG, a German multinational company which produces automobiles and motorcycles and is listed on the Frankfurt Stock Exchange. The principal activities of BBA include but are not limited to manufacture and sale of BMW vehicles. Set out below is the extract from the annual report for the year ended 31 December 2018 (the “**2018 Annual Report**”) and from the interim report for the six months ended 30 June 2019 (the “**2019 Interim Report**”) of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	For the year ended		For the six months ended	
	31 December		30 June	
	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue (by product segment)				
– Gasoline engines	1,890,994	1,852,848	959,332	570,653
– Diesel engines	538,003	557,857	304,107	234,064
– Engine components	527,665	639,817	296,046	349,895
Total Revenue	2,956,662	3,050,522	1,559,485	1,154,612
Profit before tax	153,569	10,774	76,972	39,383
Profit after tax	128,093	10,724	57,620	31,928
Net assets	2,992,403	2,985,703	3,032,320	3,016,147
Cash and cash equivalents	352,473	223,950	404,632	157,626

During the two years ended 31 December 2017 and 31 December 2018 and for the six months ended 30 June 2019, gasoline engines have been the principal source of revenue of the Company and contributed to at least 50% of the total revenue. In addition, the Group recorded a slight increase in total revenue for the financial year ended 31 December 2018 as compared to the previous year. The increase was mainly due to increase in the sales of 1600cc prince engines (a type of engine licensed to the Group by BMW AG since June 2015 which may be modified and upgraded by the Group and supplied to approved vehicle manufacturers under the Group's own brand) and the increase in the sales of Bx8 crankshafts. During the first half of 2019, the Group recorded a decrease in the total revenue as compared to the same period in the preceding year. The decrease was mainly due to a significant decrease in sales volume of small gasoline engines and diesel engines as a result of the reduction in inventory of downstream customers in view of the adjustment of emission standards promulgated under the "China VI" Vehicle Emission Standards. Although there were increases in sales volume of the Group's prince engines and engines components, the increase was not sufficient to compensate for the significant drop in sales of small gasoline engines and diesel engines.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As further set out in the 2018 Annual Report and the 2019 Interim Report, the Group has been researching on the development of prince engine with three-cylinder 1.2L displacement volume in response to the more stringent requirement for fuel consumption and emission standard which could be paired up with electric motors to cope with the increasing demand of hybrid electric vehicles. While the proportion of revenue from crankshaft business to total revenue has increased over the past few years and for the six months ended 30 June 2019, taking into account the anticipated increased demand from BBA in the coming few years, the Group decided to expand its crankshaft production line which is expected to be operational at the beginning of 2020. Accordingly, the entering into of the third term of the BBA Compliance Agreement coincides with the business plan of the Group to focus its resources on higher profit-generating segment under its principal business operation.

### *Background of the third term of the BBA Compliance Agreement*

As disclosed in the Letter from the Board, under the third term of the BBA Compliance Agreement, the Group purchases various engine parts and components and raw materials from BBA or its subsidiaries for further processing and production of the Group's engine parts and components. As advised by the Company, such engine parts are developed and produced according to the specification required by BBA in the ordinary course of business of the Group. At the same time, the Group will procure consulting and advisory services from BBA or its subsidiaries in relation to production of engine parts and components from time to time when necessary. Meanwhile, the Group sells goods including, among other things, engine parts and components to BBA or its subsidiaries for their own production of various engines and engine parts and components.

We understand from the management of the Company that the purpose of entering into the third term of the BBA Compliance Agreement is principally to renew the terms of the transactions under the second term of the BBA Compliance Agreement which will expire on 16 June 2020, including the Previous Annual Caps, which are expected to expire on 31 December 2019, for further three years from 1 January 2020 to 31 December 2022, in order to continue the relevant transactions of similar nature to those under the first and second term of the BBA Compliance Agreement. Therefore, we consider the purchase and sale transactions with BBA are carried out as part of the principal business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As part of our due diligence, we have obtained from the Company a list of breakdown for the Purchase Caps and the Supply Caps and compared with the historical transaction records of connecting rod roughcasts, crankshaft roughcasts and engines parts and components for the two financial years ended 31 December 2018 and for the eight months ended 31 August 2019 (“**Historical Transactions**”). We noted that the product mix in relation to the purchase of goods by the Group from BBA or its subsidiaries in the Historical Transactions is largely different from that of the Purchase Caps.

In particular, we noted that the purchases of goods by the Group from BBA or its subsidiaries in the Historical Transactions largely comprised the N20 engine parts and components which upon further processing by the Group were mainly for use by BBA in BMW vehicles until the phase out of the N20 engines by all newly-produced BMW vehicles since 2018, and continued to be used in Huasong MPV model of Renault Brilliance Jinbei Automotive Company Limited (“**RBJAC**”, formerly known as Shenyang Brilliance JinBei Automobile Co., Ltd.) during the two years ended 31 December 2018 and the eight months ended 31 August 2019. The remaining portion of the purchase caps under the Historical Transactions comprised of Bx8 engine parts and components (including Bx8 connecting rods (roughcasts) and Bx8 crankshaft (gear) roughcasts) and related parts for further processing and assembly of the Bx8 engines used in BMW vehicles.

Despite the purchases of goods from BBA as proposed under the Purchase Caps also comprise of Bx8 engine parts and components, such goods no longer include the N20 engine parts and components and the Bx8 connecting rods (roughcasts). The goods mainly comprise of crankshaft (gear) roughcasts and connecting rod (bushes) and (screws), which will be processed along with other related parts and components procured from other suppliers into finished Bx8 crankshafts and connecting rods for use in the further processing and assembly of the Bx8 engines to be used in the current BMW vehicles produced by BBA and the future BMW models (with Bx8 engines installed) to be launched by BBA, with the remaining portion to cater for the estimated demand to be exported to BMW AG.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Company, after years of cooperation between the Group and BBA in the production of engine parts and components in accordance with the stringent standards of BBA, the Group is gradually authorised to source from its suppliers within the PRC for majority part of the required engine parts and components in the production of Bx8 connecting rods and crankshafts to be supplied to BBA or its subsidiaries during the period of Historical Transactions. The crankshaft (gear) roughcasts and connecting rod (bushes) and (screws) under the Purchase Caps are the remaining core parts and components which are required to be purchased from BBA or its subsidiaries due to technical specifications exclusive to BMW vehicles that cannot be sourced from suppliers within the PRC.

Accordingly, we are of the view that the Historical Transactions contemplated under the second term of the BBA Compliance Agreement cannot be used as direct comparison with the continuing connected transactions contemplated under the third term of the BBA Compliance Agreement for the purpose of assessing the fairness and reasonableness of the Purchase Caps and Supply Caps.

### *Reasons for entering into the third term of the BBA Compliance Agreement*

As advised by the Company, the specification of engines and engine components is usually tailor-made for specific brands of vehicles of particular automotive manufacturers due to confidentiality and control over the core production technologies and assurance, and the same model of engine or engine component of an automotive manufacturer would usually be used in various models of vehicles, engines and engine components suppliers are usually required to source parts and components and raw materials exclusively from their respective clients for onward processing and assembly in order to comply with the required standard and specification. Besides, safety is of utmost importance of a vehicle, automotive manufacturers would either produce the required engines and engine components themselves or source those engines and engine components from a limited number of selected suppliers. As a selected supplier for automotive components (including engine and engine component), its products will be repeatedly tested in various ways by the automotive manufacturer to ensure it meets the required quality and specification. Therefore, it is common for an automotive manufacturer to rely on limited suppliers for components for its products and it is rare and difficult for it to change or replace suppliers frequently or within a short period of time. Under the third term of the BBA Compliance Agreement, the finished Bx8 connecting rods and crankshafts are to be exclusively supplied to BBA or its subsidiaries and BMW AG for its further assembly into the Bx8 engines of BMW vehicles. As such, it is common for an engine and engine component supplier (which includes the Group) to build long term business

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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relationship with particular automotive manufacturer (such as BBA under the first, second and the proposed third term of the BBA Compliance Agreements) which is mutually reliant in nature.

We also noted that BBA has been the major manufacturing and sales arm of Brilliance China for its BMW vehicles in the PRC. The entering into of the third term of the BBA Compliance Agreement will continue to secure a long-term supply of tailor-made engine parts and components and raw materials which are essential to the production of the Bx8 engines parts and components to be sold to BBA or its subsidiaries.

On the other hand, BBA has been an important customer of the Group in relation to finished engine parts and components, which in aggregate with insignificant amount of rental income received from BBA for the lease of certain portion of land and properties for production and ancillary purposes, contributed to approximately 19.9% of the revenue of the Group for the financial year ended 31 December 2018, the entering into of the third term of the BBA Compliance Agreement will allow the Group to continue to benefit from the significant demand from BBA, and to secure and strengthen the relationship with BBA to explore business opportunities with BMW AG, which will help the Group expand its engine parts and components business to overseas markets.

As advised by the Company, the finished Bx8 connecting rods and crankshafts will be mainly applied to the BMW vehicles of BBA. As part of our due diligence, we have reviewed the annual and interim reports of Brilliance China for the three years ended 31 December 2018 and for the six months ended 30 June 2019 and compared the sales volume of the then existing BMW vehicles produced by BBA upon the launch of new BMW vehicles by BBA. Set out below is the sales volume breakdown of the BMW models locally produced by BBA for the three years ended 31 December 2018 and for the six months ended 30 June 2019 as extracted from the annual reports and interim report of Brilliance China respectively:

BBA BMW Models	For the year ended 31 December					For the six months ended 30 June		
	2016	2017	% change	2018	% change	2018	2019	% change
5-series sedan	143,594	121,025	-15.7%	146,014	20.6%	69,086	75,764	9.7%
3-series sedan	97,112	123,700	27.4%	134,600	8.8%	66,664	60,758	-8.9%
1-series sedan	-	34,716	N/A	41,242	18.8%	19,394	21,129	8.9%
2-series active tourer	14,406	15,801	9.7%	8,503	-46.2%	4,627	3,531	-23.7%
X3	-	-	N/A	38,405	N/A	2,261	54,701	2,319.0%
X1	54,914	91,307	66.3%	97,418	6.7%	47,736	48,311	1.2%
Total BMW vehicles	310,026	386,549	24.7%	466,182	20.6%	209,768	264,194	25.9%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above table, we note that BBA has achieved continuous increase in sales of BMW vehicles over the past three financial years and for the six months ended 30 June 2019. Despite the launch of new BMW vehicles by BBA (in particular, the new 1-series sedan launched in March 2017 and the new generation X3 sport activity vehicle launched in June 2018 respectively), sales for most of the then existing BMW vehicles remained growing. As further set out in the interim report of Brilliance China for the six months ended 30 June 2019, the new generation 3-series sedan, the X2 sport activity vehicle which will be the seventh BMW model to be locally produced by BBA, as well as a facelift version of the X1 model are scheduled for second half 2019 launch. As advised by the Company, these new models and vehicles will be equipped with Bx8 engines. Therefore, considering the full year impact on the sales of such new models and vehicles during 2020, an increase in demand for the finished Bx8 crankshafts and connecting rods of the Group is expected from BBA or its subsidiaries. Moreover, the X5 SAV model will also be introduced into BBA as a locally produced BMW vehicle (also equipped with Bx8 engine) in the future which may lead to increase in demand for finished Bx8 crankshafts and connecting rods.

Based on the above, we consider that the market demand for BMW vehicles produced by BBA in the PRC remains strong and it may continue to drive up the demand of finished connecting rods and finished crankshafts to be supplied by the Group with the release of new models and vehicles in the future.

Having considered (i) the principal business activities of the Group and the mutual reliance on the business relationship between the Group and BBA; (ii) the market demand for BMW vehicles produced by BBA remains strong which may drive the demand for products to be supplied by the Group to BBA under the continuing connected transactions; and (iii) our discussions with the management on the reasons for and benefits of entering into the third term of the BBA Compliance Agreement as set out above, we concur with the Directors' view that such agreement (a) will continue to secure the long-term business relationship with BBA; (b) are in the ordinary and usual course of business of the Group; and (c) will continue to facilitate the Group's business growth; and therefore is fair and reasonable and in the interests of the Company and Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *2. The Purchase Caps and the Supply Caps*

The BBA Compliance Agreement was entered for a term of three years commencing from the date on which all conditions precedent have been satisfied (including the first day and the last day of the term) unless terminated earlier by at least three months' prior written notice by either party.

The parties may enter into separate operational agreements and purchase orders from time to time which contain particulars pertaining to the sale and purchase of, among others, engine parts and components and raw materials for manufacturing engine parts and components (as the case may be) and the provision of related consulting and advisory services (including provisions relating to the price, quantity, quality and payment method). The terms of these operational agreements and purchase orders must be consistent with and subject to the terms of the BBA Compliance Agreement, on normal commercial terms and on an arm's length basis.

BBA shall issue an invoice within the first 10 days of each month for the engine parts and components delivered during the previous month, and then payment shall be made by Mianyang Xincheng within 45 days after receiving the invoice. Mianyang Xincheng shall issue an invoice within the first 10 days of each month for the engine parts and components delivered during the previous month. BBA shall make the payment within 45 days calculated from the 25th day of the month when it receives the invoice from Mianyang Xincheng. With respect of the provision of technical consulting and advisory services, BBA shall issue a quarterly invoice to Mianyang Xincheng based on a list specifying the working time and the related costs, and then payment shall be made by Mianyang Xincheng within 45 days after receiving the invoice. We note that the credit period of 45 days to be granted to BBA in general is within the range of credit period of 30 days to 60 days granted by the Group to its external customers.

Based on the information provided by the Company, we summarise in the following table i) the existing caps and historical transaction amounts for each of the two financial years ended 31 December 2018 and for the eight months ended 31 August 2019; and ii) the expected transaction amount for each of the three financial years ending 31 December 2022, in respect of sale and purchase of engine parts and components and raw materials for manufacturing engines and engine parts and components and provision of consulting and advisory services.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended		For the year ended		For the	For the
	31 December 2017		31 December 2018		year ending	eight months
	Existing	Actual	Existing	Actual	31 December	ended
	Cap	amount	Cap	amount	2019	31 August
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	2019
					Existing	Actual
					Cap	amount
					(RMB'000)	(RMB'000)
1. Sale of engine parts and components and raw materials for manufacturing engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	RMB662,998	RMB164,457	RMB588,051	RMB179,722	RMB556,362	RMB36,103
2. Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	RMB575,200	RMB463,300	RMB578,975	RMB577,930	RMB602,244	RMB406,013

Continuing Connected Transactions	For the financial year ending 31 December		
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)

### I. Purchases by the Group

Sale of engine parts and components and raw materials for manufacturing engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	106,741	112,078	115,440
<b>Purchase Caps (after taking into a buffer)</b>	<b>117,000</b>	<b>123,000</b>	<b>127,000</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Continuing Connected Transactions	For the financial year ending 31 December		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>II. Supply by the Group</b>			
Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	834,074	875,778	902,051
<b>Supply Caps (after taking into a buffer)</b>	<b>917,000</b>	<b>963,000</b>	<b>992,000</b>

The Purchase Caps and the Supply Caps for each of the three years ending 31 December 2022 were determined by the Directors primarily based on the followings:–

- (i) the estimated volume of engine parts and components and raw materials for manufacturing engine parts and components required by the Group, the estimated volume of engine parts and components and raw materials for manufacturing engines and engine parts and components by BBA and its subsidiaries, with reference to the expected market demand for products of BBA;
- (ii) the estimated volume of engine parts and components to be exported to BMW AG;
- (iii) the designed annual production capacity of the Group and the planned upgrade of and expansion in the production capacity of the Group to produce crankshafts;
- (iv) the expected unit prices for the engine parts and components and raw materials for manufacturing engines and engine parts and components (as the case may be); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) a buffer of the expected transaction amounts to cater for the fluctuation in foreign exchange rate and uncertainty of change in transaction volume, the scrap rate of engine parts and components and raw materials during the production procedures performed by the Group, transaction price and type of products to be transacted and the procurement of related consulting and advisory services from BBA or its subsidiaries in relation to the production of the engine parts and components to be supplied to BBA when necessary.

As regards the Purchase Caps to be sought for the three years ending 31 December 2022 of approximately RMB117.0 million, RMB123.0 million and RMB127.0 million respectively, we have obtained from the Company a list of estimated purchase of crankshaft (gear) roughcasts for Bx8 engines, Bx8 connecting rod (bushes) and (screws) which sum up to the Purchase Caps.

We understand from the management of the Company that such list of estimate was prepared on the basis of multiplying (i) the expected quantity of crankshaft (gear) roughcasts for Bx8 engines, Bx8 connecting rod (bushes) and (screws) to be purchased from BBA or its subsidiaries for the three financial years ending 31 December 2022; (ii) the estimated unit price of crankshaft (gear) roughcasts for Bx8 engines, Bx8 connecting rod (bushes) and (screws); and (iii) the buffer taking into account the potential fluctuation in foreign exchange rate and uncertainty of change in transaction volume, the scrap rate of engine parts and components and raw materials during the production procedures performed by the Group, unit purchase cost and type of products to be transacted and the procurement of related consulting and advisory services from BBA or its subsidiaries in relation to the production of the engine parts and components to be supplied to BBA when necessary.

Regarding the Supply Caps to be sought for the three years ending 31 December 2022 of approximately RMB917.0 million, RMB963.0 million and RMB992.0 million respectively, we have obtained from the Company a list of estimated supply of finished Bx8 connecting rods and crankshafts which sum up to the Supply Caps. We understand from the management of the Company that such list of estimate was prepared on the basis of multiplying (i) the expected quantity of finished Bx8 connecting rods and crankshafts as required by BBA for the three financial years ending 31 December 2022; (ii) the estimated unit price of finished Bx8 connecting rods and crankshafts; and (iii) the buffer taking into account the potential fluctuation in foreign exchange rate and uncertainty of change in transaction volume, unit selling price and type of products to be transacted.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted from the above that there is a substantial decrease in the Purchase Caps to be sought for the three years ending 31 December 2022 as compared to that in the Previous Annual Caps. Based on our discussion with the Company, we understand that the differences are due to the change in product mix under the Purchase Caps as explained above which the Group no longer procure engine parts and components for the production of N20 engines that were used by BBA and RBJAC, and the Group currently sources majority of the core parts and components for the production of connecting rods and crankshafts from domestic suppliers in the PRC and certain parts and components from BBA or its subsidiaries due to their technical specifications that cannot be sourced domestically in the PRC. This gradual change in procurement arrangement since the period of the Historical Transactions also led to the persistent decrease in the actual purchase amount by the Group from BBA or its subsidiaries during the two years ended 31 December 2018 and the eight months ended 31 August 2019.

Further, we also noted that there is a substantial increase in the Supply Caps to be sought for the three years ending 31 December 22 as compared to that in the Previous Annual Caps. As discussed with the Company, we understand that such substantial increase in the Supply Caps has taken into account: 1) the projected amount of sales of engine parts and components to BBA or its subsidiaries for the year ending 31 December 2019 is close to the approved supply cap for the same period with the actual amount of sales achieved during the eight months ended 31 August 2019 of approximately RMB406.0 million; 2) the planned upgrade of and expansion in the crankshafts production capacity by approximately 30% which is expected to be in operation at the beginning of 2020 to meet the relatively high utilisation rates of above 90% for the existing crankshaft production lines during the year ended 31 December 2018 and the eight months ended 31 August 2019 to cater for the increasing demand from BBA or its subsidiaries; and 3) the estimated increase in demand for finished Bx8 crankshafts and connecting rods as a result of the introduction of new models and vehicles by BBA as explained above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the table above, the Supply Caps are expected to increase gradually after the year ending 31 December 2019 onward for the two years ending 31 December 2022, which is mainly due to the Group's expectation for an increase in expected demand for the Group's engine parts and components from BBA or its subsidiaries as supported by the sales volume of the new models launched by BBA to remain strong during the respective period. It is expected that the purchase price of the engine components and parts and raw materials will remain relatively stable, and the selling price of the finished Bx8 crankshafts and connecting rods are also expected to remain relatively stable during the three years ending 31 December 2022. Notwithstanding this, as mentioned above, due to the different product mix in the Historical Transactions as compared to that of the Purchase Caps and the change in subsequent use of the finished engine parts and components sold under the Supply Caps, we are of the view that the purchase caps and the supply caps under the Historical Transactions may not be direct comparison of the Purchase Caps and Supply Caps in assessing their fairness and reasonableness.

In order to assess the fairness and reasonableness of the estimated quantity and estimated price of the continuing connected transactions, we have performed the following analysis.

*I. Regarding the estimated quantity of the transactions*

Connecting rod (bushes) and (screws) and connecting rods

As advised by the Company, connecting rods are one of the key components for engines and the finished Bx8 connecting rods will be exclusively assembled to the Bx8 engines that will be installed in the vehicles of BBA. The expected quantity of the connecting rod (bushes) and (screws) to be purchased the Group is determined with reference to the projected production schedules and volume of the relevant BMW vehicles provided by BBA and estimated orders to be received from BMW AG for each of the three years ending 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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While the Group will source majority part of the components for the production of Bx8 connecting rods from domestic suppliers in the PRC, the Group will purchase connecting rod (bushes) and (screws) from BBA or its subsidiaries for further processing and assembly into the finished Bx8 connecting rods to be supplied back to BBA or its subsidiaries. Further, we understand from the Company that each unit of connecting rod (bushes) will be combined with two units of connecting rod (screws) sourced from BBA along with other parts and components sourced from domestic suppliers in the PRC and go through various processing stages such as piercing, trimming, polishing and assembly into one finished Bx8 connecting rod respectively. We noted that the demand of finished Bx8 connecting rods by BBA matches with the total quantities of connecting rod (bushes) and the respective required amount of connecting rod (screws) to be purchased from BBA or its subsidiaries by the Company, and the Group has taken into account spare bushes and screws for scrap replacement during processing stages under the relevant buffer of the Purchase Caps with reference to historical processing record for each of the three years ending 31 December 2022.

Further, we noted that the estimated demand of finished Bx8 connecting rods for the financial year ending 31 December 2021 will increase by approximately 5% as compared with that for the financial year ending 31 December 2020, followed by an estimated increase of approximately 3% for the financial year ending 31 December 2022 as compared to that of 2021. As advised by the Company, such increase in estimated demand of finished Bx8 connecting rods is primarily due to the relatively prudent projection of the Group on the sale volume of BMW vehicles (with Bx8 engines installed) to experience moderate increase after the launch of the new models as scheduled by BBA in late 2019. Accordingly, the demand for Bx8 connecting rod (bushes) and (screws) from the Group under the Purchase Caps is expected to increase in the same pace with the estimated supply of finished Bx8 connecting rods to BBA or its subsidiaries for the three years ending 31 December 2022. Based on the above, we consider that the expected purchase quantity of Bx8 connecting rod (bushes) and (screws) and the sale quantity of finished Bx8 connecting rods, which corresponds to the projected sale quantity of vehicles with Bx8 engines installed respectively, are reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Crankshaft (gear) roughcasts and crankshafts

As advised by the Company, the expected quantity of the crankshaft (gear) roughcasts for the Group to process into finished crankshafts that goes into the Bx8 engines to be purchased by the Group from BBA or its subsidiaries is determined by the projected production schedules and volume of the relevant BMW vehicles provided by BBA and estimated orders to be received from BMW AG for each of the three years ending 31 December 2022. Further, we understand from the Group that each unit of crankshaft (gear) roughcast purchased from BBA along with relative parts and components procured from other domestic suppliers in the PRC will go through various processing stages such as piercing, heat treatment, trimming and polishing into one finished crankshaft respectively. We noted that the estimated demand of BBA for finished crankshafts is the same as the total quantities of crankshaft (gear) roughcasts to be purchased from BBA or its subsidiaries by the Group, and the Group has taken into account spare (gear) roughcasts for scrap replacement during processing stages under the relevant buffer of the Purchase Caps with reference to historical processing record for each of the three years ending 31 December 2022.

The estimated demand for finished crankshaft for the three financial years ending 31 December 2022 shall grow in the same pace as that of the finished connecting rods as explained above. Accordingly, the demand for crankshafts (gear) roughcasts for Bx8 engines from the Group under the Purchase Caps is also expected to increase in the same pace with the estimated supply of finished Bx8 crankshafts to BBA or its subsidiaries for the three years ending 31 December 2022. Based on the above, we consider that the expected purchase quantity of crankshafts (gear) roughcasts for Bx8 engines and the sale quantity of finished Bx8 crankshafts, which corresponds to the projected sale quantity of vehicles with Bx8 engines installed respectively, are reasonable.

### *II. Regarding the estimated price of the transactions*

As set out in the Letter from the Board, the Group adopts a cost plus pricing model in relation to the sales and purchase of engines parts and components and raw materials (i.e. connecting rods and crankshafts) for manufacturing engines and engine parts and components between the Group and BBA or its subsidiaries. The prices for the mutual supplies and purchases between the Group and BBA are negotiated after taking into account each party's overall costs of production and anticipated reasonable returns.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Connecting rod (bushes) and (screws), finished connecting rods, crankshaft (gear) roughcasts and finished crankshafts*

The Group will purchase the Bx8 connecting rod (bushes) and (screws) and crankshaft (gear) roughcasts for Bx8 engines from BBA or its subsidiaries, for manufacturing the finished products to be sold to BBA or its subsidiaries.

As set out in the Letter from the Board, in relation to the purchase of connecting rod (bushes) and (screws), the project director who is in charge of component business and BBA will communicate regularly to discuss, among others, the raw materials and procurement costs of BBA from its suppliers. The project director will propose the purchase prices of connecting rod (bushes) and (screws) to the Group's Chief Financial Officer. In assessing the reasonableness of the purchase prices of connecting rod (bushes) and (screws), the Group's Chief Financial Officer will make reference to, among others, the historical production costs structure of finished Bx8 connecting rods manufactured by the Group. The production costs structure mainly comprises: (a) raw material purchase cost; (b) depreciation cost of plant and machinery; (c) wage for production; (d) electricity and water supplies cost; (e) consumables and repair and maintenance cost; and (f) transportation and others. The purchase prices of connecting rod (bushes) and (screws) are expected to be comparable to their respective purchase cost and their portions which constitute the total cost under the historical production costs structure of finished Bx8 connecting rods sold by the Group in the latest financial year. The purchase prices will then be approved by the Group's Chief Executive Officer.

In relation to the purchase of crankshaft (gear) roughcast for Bx8 engines, the project director who is in charge of Bx8 engine business and BBA will communicate regularly to discuss, among others, the raw materials and procurement costs of BBA from its suppliers and its production costs in processing any components before on-sale to the Group (if any). The project director will propose the purchase price of crankshaft (gear) roughcast for Bx8 engines to the Group's Chief Financial Officer, who will then assess the reasonableness of the purchase prices with reference to the historical production cost structure of finished crankshafts produced by the Group. By referring to the historical cost structure, in particular, the raw material purchase cost, and its portion which constitutes the total cost, the Chief Financial Officer would be able to come up with an assessment as to the reasonableness of the latest purchase price of crankshaft (gear) roughcast. The purchase prices of crankshaft (gear) roughcast are expected to be comparable to such historical production cost structure of finished crankshafts in the latest financial year. The purchase prices will then be acknowledged by the Group's Chief Executive Officer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note from the Group's list of estimated purchase that the unit purchase prices of crankshaft (gear) roughcast, connecting rod (bushes) and (screws) are expected to remain at the same level during the three financial years ending 31 December 2022. As advised by the Company, the overseas suppliers of BBA for the supply of crankshaft (gear) roughcast, connecting rod (bushes) and (screws) are long-term suppliers of BBA located in Europe, which the Company does not expect any material fluctuation in their export prices as it may adversely affect the ultimate production costs of the BMW vehicles of BBA under the cost plus pricing model employed by the Group in relation to the sales of finished engine parts and components to BBA or its subsidiaries.

As part of our due diligence, we have obtained from the Company the list of actual purchases of connecting rod (bushes) and (screws) during the two years ended 31 December 2018 and the eight months ended 31 August 2019 (the "**Relevant Period**"), we noted that the actual average unit price of connecting rod (bushes) and (screws) from BBA in the Historical Transactions were on a decreasing trend. As further enquired with the Company, we understand that the decrease in the actual average unit prices were mainly due to the continuous decrease in procurement costs of BBA from its suppliers in overseas during the Relevant period. However, as we further compared the estimated unit purchase prices of the connecting rod (bushes) and (screws) under the Purchase Caps with that in the latest half-yearly procurement invoices during July and December 2019, we noted that they are comparable and such price level are higher than the actual average unit prices for the eight months ended 31 August 2019 according to the list of actual purchases which indicated an increase in actual unit prices for the connecting rod (bushes) and (screws) during the second half of 2019. Due to the fact that the decreasing trend on the average unit price of connecting rod (bushes) and (screws) did not persist during the year ending 31 December 2019, we consider the Board has taken a prudent approach in determining the estimated unit purchase price for connecting rod (bushes) and (screws) to remain the same during the three years ending 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further, due to the phase out of N20 engines by all newly-produced BMW vehicles since 2018, the procurement for Bx8 connecting rod (bushes) and (screws) constituted majority of the overall connecting rod related parts procurement cost during the same year. Therefore, we have obtained and compared the historical production cost structure of finished connecting rod and the respective portion of connecting rod (bushes) and (screws) under such cost structure for the year ended 31 December 2018 and for the eight months ended 31 August 2019, we note that the portion of connecting rod (bush) and (screw) under the total costs structure during the two periods were comparable despite the fluctuation in their average unit purchase prices. We further understand from the Company that similar cost structure for the finished connecting rod has been used in determining the estimated unit purchase price for connecting rod (bush) and (screw) for the three years ending 31 December 2022. Based on the above, we are of the view that the basis on which such estimated unit purchase prices were determined are reasonable.

We have also obtained and reviewed the historical production cost structure of finished crankshafts for the year ended 31 December 2018, which are comparable to the aggregate value of the unit purchase price of crankshaft (gear) roughcasts under the Purchase Caps and the historical costs of related parts and components and other expenses including depreciation expenses of plant and machinery, labour cost, utility expenses, consumables and repair and maintenance costs, transportation costs and other miscellaneous expenses. Moreover, we have also obtained from the Company the list of actual purchases of crankshaft (gear) roughcasts during the two years ended 31 December 2018 and the eight months ended 31 August 2019, we noted that the actual average unit price of crankshaft (gear) roughcasts from BBA in the Historical Transactions were on a gentle increasing trend. As we further enquired with the Company, we understand that such increase was mainly due to the increase in proportion of higher-priced crankshaft (gear) roughcasts used for producing finished crankshafts sold at higher corresponding prices since 2018 as compared to other types of crankshaft (gear) roughcasts. Further, we have obtained and reviewed the latest half-yearly procurement invoices of crankshaft (gear) roughcasts which match with the unit purchase price of crankshaft (gear) roughcasts under the Purchase Caps. Since the Purchase Caps has included a buffer of 10% to cater for the fluctuation in the types of product and raw material to be transacted under the Purchase Caps, we consider that the Board has taken a prudent approach in determining the estimated purchase price of crankshaft (gear) roughcasts to remain the same during the three years ending 31 December 2022 and we are of the view that the basis on which such estimated purchase price was determined are reasonable. Given the above, we consider the transaction prices of the crankshaft (gear) roughcasts, connecting rod (bushes) and (screws) for Bx8 engines are reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With respect to the selling prices of finished connecting rods and finished crankshafts to BBA, similar to the supply of Bx8 engine parts and components, the Group also adopts a cost plus pricing model in relation to the sales of finished connecting rods and finished crankshafts. The proposed selling prices will first be determined by the project director of the Group after taking into account the required specification and quantity of the engines, the purchase costs of relevant engine parts and components, the processing cost and anticipated reasonable profit margin. Subject to the review by the Group's Chief Financial Officer, the project director of the Group will negotiate further with BBA on the basis of the proposed selling prices. The margin to be charged by the Group is expected to be comparable to the level of profits derived from the historical sale of Bx8 engine parts and components to BBA in the latest financial year but it may vary depending on factors such as the expected quantity, quality and specifications of the products to be sold, market competition from other supplier(s) of BBA and strategic collaboration with BBA, subject to adjustment and review on an annual basis. After the negotiation with BBA, the Group's Chief Financial Officer will further review the proposed selling prices before such selling prices are approved by the Group's Chief Executive Officer. As part of our due diligence, we have obtained the historical transaction invoices of finished connecting rods and crankshafts and compared the average gross profit margin of finished connecting rods and crankshafts sold by the Group to BBA during the period of Historical Transactions and noted that it is comparable to the anticipated gross profit margin of finished connecting rods and finished crankshafts.

In light of the above, we consider that the estimated level of unit selling prices of finished connecting rods and finished crankshafts for each of the three financial years ending 31 December 2022 are reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As we further enquired with the Company, we understand that BBA, as the exclusive supplier of connecting rod (bushes) and (screws) and crankshaft (gear) roughcasts for the Group and other independent supplier (as the case may be) in the PRC, has substantial bargaining power in relation to the selling price of such raw materials and parts and components to be supplied to the Group and its other independent manufacturer/supplier. However, since the Group employs the cost-plus pricing model which takes into account the total production cost plus an anticipated reasonable profit margin when determining the selling price of finished connecting rods and finished crankshafts, and the finished connecting rods and finished crankshafts will ultimately be sold back to BBA, it is reasonable to believe that BBA will not supply such raw materials and parts and components to the Group at prices higher than to its other manufacturer/supplier. The cost-plus pricing model therefore safe guard the Group's interests in securing terms under the BBA Compliance Agreement that are not less favourable than that of other independent manufacturer/supplier who engages in similar transactions with BBA.

### *III. Regarding the buffer of 10% for the transactions under the Purchase Caps and the Supply Caps*

We noted that the Company has also taken into account a buffer of 10% of the expected transaction amounts under the continuing connected transactions in determining the amount of the Purchase Caps and the Supply Caps. As advised by the Company, the purposes for including the buffer are to cater for the fluctuation in foreign exchange rate and uncertainty of change in transaction volume, transaction price and type of products to be transacted, and the procurement of related consulting and advisory services from BBA or its subsidiaries in relation to the production of the engine parts and components to be supplied to BBA when necessary. We were also advised by the Company that certain core raw materials of automotive parts and components are imported from Europe therefore their price are subject to the fluctuation in the exchange rate between Reminbi and Euro. As such, we have reviewed the currency exchange rate published by the People's Bank of China and noted that Reminbi has been volatile against Euro Dollars within the fluctuation range of approximately 5.3% for the first 8 months in 2019. On the other hand, as labour cost is one of the key factors affecting both purchase cost of crankshaft (gear) roughcasts, connecting rod (bushes) and (screws) for Bx8 engines and the selling price of finished Bx8 connecting rods and crankshafts, we have reviewed the latest available statistics on the website of National Bureau of Statistics of China and noted that the average salary per person in manufacturing industry has been increasing over the past few years and recorded a CAGR of approximately 6.8% for the three years ended 31 December 2016 to 2018. When also taking into account the impact of exchange rate fluctuation on the prices of engine components and parts and raw materials to be purchased from abroad through BBA as explained above, we consider that the 10% buffer is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the above basis, we consider that the bases on which the Purchase Caps and the Supply Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

*IV. Regarding the internal control measures governing the transactions under the BBA Compliance Agreement*

Based on our enquiry with the Company, we understand that the Group has adopted internal control measures to govern the purchase from and sale of goods to BBA or its subsidiaries contemplated under the BBA Compliance Agreement. In particular, a designated control team comprising staff from the purchase department, sales department and finance department is assigned by the senior management of Mianyang Xincheng to monitor the transactions contemplated under the BBA Compliance Agreement regularly and to ensure the transactions are conducted in accordance with the terms and pricing policies set out in the BBA Compliance Agreement as mentioned above in this letter, with the amounts not exceeding the approved annual limit. In this relation, we have obtained and reviewed relevant correspondence records throughout the price negotiation process and the evaluation result records in respect of the proposed selling price for finished crankshafts and finished connecting rods of the Group.

As further set out in the Letter from the Board, the independent non-executive Directors will conduct an annual review of the status of the transactions under the BBA Compliance Agreement to ensure the Group has complied with the relevant requirements of the Listing Rules. Moreover, the Company will continue to engage independent auditors to review the continuing connected transactions under the BBA Compliance Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

Based on the above, we consider that the internal control measures adopted by the Group in governing the continuing connected transactions contemplated under the BBA Compliance Agreement is fairly structured and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **3. The conditions**

As the respective Purchase Caps and the Supply Caps will exceed HK\$10 million and the relevant applicable ratios under Rule 14.07 of the Listing Rules exceed 5%, the Purchase Caps and the Supply Caps of the continuing connected transactions are subject to reporting, announcement, and the requirement of seeking approval from the Independent Shareholders under the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the continuing connected transactions and the Purchase Caps and the Supply Caps subject to the following conditions:

1. The continuing connected transactions will be:
  - (i) entered into by the Group in the ordinary and usual course of its business;
  - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and
  - (iii) entered into in accordance with the terms of the BBA Compliance Agreement governing the continuing connected transactions that are fair and reasonable and in the interests of the Shareholders and the Company as a whole;
2. The transacted amount of the transactions under the BBA Compliance Agreement shall not exceed the Purchase Caps or the Supply Caps (as the case may be); and
3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account the conditions attached to the continuing connected transactions, in particular (i) the restriction by way of setting the Purchase Caps and the Supply Caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the continuing connected transactions), we consider that the Company has taken appropriate and adequate measures to govern the Group in carrying out the continuing connected transactions, thereby safeguarding the interests of the Shareholders thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors, in particular, the following:

- (i) the continuing connected transactions will help the Company continue to maintain its stable revenue stream from BBA or its subsidiaries;
- (ii) the production technology as well as the management capabilities and levels of the Group can be improved through the cooperation with BMW;
- (iii) the stable and close business relationship with BBA can facilitate the exploration of business opportunities with BMW AG, which may help the Group expand its engine parts and components business to overseas markets;
- (iv) the mechanism and measures taken/to be taken by the Group in ensuring the continuing connected transactions are on normal commercial terms; and
- (v) the restriction by way of setting of the Purchase Caps and the Supply Caps,

we are of the opinion that (i) the continuing connected transactions contemplated under the BBA Compliance Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms of the third term of the BBA Compliance Agreement, the Purchase Caps and the Supply Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting for approving the terms of the continuing connected transactions, the third term of the BBA Compliance Agreement, the Purchase Caps and the Supply Caps.

Yours faithfully,

For and on behalf of

**Octal Capital Limited**

**Alan Fung**

**Louis Chan**

*Managing Director*

*Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.



## 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 <i>(Note 3)</i>
Mr. Wu Xiao An (also known as Mr. Ng Siu On) <i>(Note 1)</i>	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 <i>(Note 2)</i>	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 <i>(Note 6)</i>
Brilliance Investment Holdings Limited (“ <b>Brilliance Investment</b> ”)	Beneficial owner	400,000,000 (L) ordinary	31.20%
Brilliance China <i>(Note 1)</i>	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Huachen <i>(Note 2)</i>	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Xinhua Investment Holdings Limited (“ <b>Xinhua Investment</b> ”)	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) (“ <b>Xinhua Combustion Engine</b> ”) <i>(Note 3)</i>	Interest in a controlled corporation	400,000,000 (L) ordinary	31.20%
Sichuan Yibin Pushi Group Co., Ltd. (“ <b>Pushi Group</b> ”) <i>(Note 4)</i>	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) (“ <b>Wuliangye</b> ”) <i>(Note 5)</i>	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 owned as to approximately 42.32% 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*

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 2018, 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. 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:

<b>Name</b>	<b>Qualification</b>
Octal Capital	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Octal Capital 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, Octal Capital 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 2018, 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.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his 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.

## 7. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, none of the Directors were a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director</b>	<b>Name of company which had such discloseable interest or short position</b>	<b>Position within such company</b>
Mr. Wu Xiao An (also known as Mr. Ng Siu On)	Brilliance China	chairman and executive director
	Huachen	director
	Brilliance Investment	director
Mr. Wang Yunxian	Xinhua Investment	director
Mr. Liu Tongfu	Huachen	director and executive vice president
Mr. Yang Ming	Pushi Group	vice president

## 8. 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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (other than Saturdays, Sundays and public holidays in Hong Kong) at the principal place of business of the Company at Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (a) BBA Compliance Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (c) the letter of advice from Octal Capital, the text of which is set out on pages 21 to 46 of this circular; and
- (d) the written consent from Octal Capital referred to in the paragraph headed “Expert’s Consent and Qualification” in this appendix.

**10. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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# POWER XINCHEN

## 新 晨 動 力

### XINCHEN CHINA POWER HOLDINGS LIMITED

### 新晨中國動力控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1148)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Xinchen China Power Holdings Limited (the “**Company**”) will be held at Pheasant & Jasmine Room, 1st Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 11 December 2019 at 9:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

#### **“THAT**

- (a) the BBA compliance agreement (the “**BBA Compliance 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 23 May 2014 entered into between the Company, 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**”) and BMW Brilliance Automotive Ltd. (華晨寶馬汽車有限公司\*) (an associate of Brilliance China Automotive Holdings Limited (華晨中國汽車控股有限公司\*) which is a controlling shareholder of the Company) in relation to the sale and purchase of, among others, engine parts and components and raw materials for manufacturing engines and engine parts and components (as the case may be) and the provision of related services and all transactions contemplated thereunder for the third term of the BBA Compliance Agreement for another three-year period upon expiry of the second term of the BBA Compliance Agreement on 17 June 2020 be and are hereby approved;
- (b) any director of the Company (the “**Director**”) be and are hereby authorized, for and on behalf of the Company, to do all such things and exercise all powers which he considers necessary or desirable or expedient in connection with the third term of the BBA Compliance Agreement and otherwise in connection with the implementation of the transactions contemplated thereunder, including without limitation the execution, amendment, supplement, delivery, waiver, submission and implementation of 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; and



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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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- (c) the proposed annual caps in respect of the transactions contemplated under the BBA Compliance Agreement for each of the three years ending 31 December 2022 as set out in the paragraph headed “Proposed Annual Caps” in the Letter from the Board contained in the circular of the Company dated 1 November 2019 be and are hereby approved.”

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

Hong Kong, 1 November 2019

*Registered Office:*

Clifton House  
75 Fort Street  
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

*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.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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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, 5 December 2019 to Wednesday, 11 December 2019, 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, 5 December 2019 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, 4 December 2019.
6. The ordinary resolution set out in this notice of extraordinary general meeting will be put forward to independent shareholders to vote by way of a poll.

\* *for identification purposes only*