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**THIS DOCUMENT 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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Xinchen China Power Holdings Limited, you should at once hand this circular to the purchaser, transferee or to the bank, licensed securities dealer 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)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF THE ENGINE ASSEMBLY LINE  
AND**

**(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

 **金融有限公司**  
OCTAL Capital Limited

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A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 32 of this circular.

A notice convening the Extraordinary General Meeting to be held at Tian & Di Room, 7/F, The Landmark Mandarin Oriental, The Landmark, 15 Queen's Road Central, Central, Hong Kong on Wednesday, 22 November 2017 at 9:00 a.m. is set out on pages 40 to 42 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 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 (i.e. not later than 9:00 a.m. (Hong Kong time) on Monday, 20 November 2017) 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.

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## DEFINITIONS

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*In this circular, unless otherwise defined, terms used herein shall have the following meaning:*

“Acquired Assets”	the Engine Assembly Line, the Affiliated Facilities and the Spare Parts
“Acquisition”	the acquisition of the Acquired Assets by Mianyang Xinchun as contemplated under the Assets Transfer Agreement
“Affiliated Facilities”	the equipment and facilities in connection with the operation of the Engine Assembly Line
“Assets Transfer Agreement”	an assets transfer agreement entered into between BBA and Mianyang Xinchun on 3 October 2017, pursuant to which BBA would transfer to Mianyang Xinchun the Acquired Assets
“associates”	has the meaning ascribed thereto 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.
“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
“Closing”	the closing for the Assets Transfer Agreement
“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
“connected person”	has the meaning ascribed thereto in the Listing Rules

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## DEFINITIONS

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“Consideration”	the consideration for the Acquired Assets under the Assets Transfer Agreement
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Engine Assembly Line”	the production line for assembling the components and parts of N20 engines, which will be modified and upgraded by the Group for three-cylinder 1.2L displacement engines
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held on Wednesday, 22 November 2017, including any adjournment thereof, for the purpose of approving the transactions contemplated under Assets Transfer Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 the Assets Transfer Agreement
“Independent Financial Adviser”	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, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Assets Transfer Agreement
“Independent Shareholder(s)”	Shareholder(s) other than Brilliance China, Mr. Wu Xiao An and their respective associates

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## DEFINITIONS

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“Latest Practicable Date”	30 October 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the 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
“Spare Parts”	the spare parts in connection with the operation of the Engine Assembly Line
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

\* for identification purposes only

*For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK\$ at the rate of RMB1 = HK\$1.20. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate or at all.*

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LETTER FROM THE BOARD

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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)**

*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

2 November 2017

*To all Shareholders*

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF THE ENGINE ASSEMBLY LINE  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the Company's announcement dated 3 October 2017. On 3 October 2017 (after trading hours), the Board announced that Mianyang Xincheng, an indirect wholly-owned subsidiary of the Company, and BBA entered into the Assets Transfer Agreement pursuant to which BBA will transfer to Mianyang Xincheng the Acquired Assets at a Consideration of approximately RMB119.44 million (equivalent to approximately HK\$143.33 million).

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide Shareholders with, among other things, (1) details of the Assets Transfer Agreement; (2) the letter from the Independent Board Committee to the Independent Shareholders, setting out its recommendations in connection with the Assets Transfer Agreement; (3) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Assets Transfer Agreement; and (4) a notice to Shareholders convening the Extraordinary General Meeting to approve the transactions contemplated under the Assets Transfer Agreement in accordance with the requirements of the Listing Rules.

### II. THE ASSETS TRANSFER AGREEMENT

On 3 October 2017 (after trading hours), Mianyang Xinchun entered into the Assets Transfer Agreement with BBA in connection with the Acquisition by Mianyang Xinchun of the Acquired Assets from BBA.

**Date:** 3 October 2017 (after trading hours)

**Transferor:** BBA

**Transferee:** Mianyang Xinchun

**Acquired Assets:**

The Acquired Assets are comprised of: (i) the Engine Assembly Line; (ii) the Affiliated Facilities; (iii) the Spare Parts for maintaining or repairing the Engine Assembly Line and/or the supporting equipment and facilities to be transferred together with the Engine Assembly Line. The Acquired Assets are currently located at Shenyang Economic and Technology Development Zone, Tiexi District, Shenyang, the PRC.

The Acquired Assets have been in-use for operation by BBA since 2015 for the production and assembly of N20 engines, which were used for BBA's production of the 5-series model, 3-series model and X1 model of BMW vehicles. The said N20 engines were produced and assembled for internal use by BBA and not for external sale and therefore no revenue or profit was attributable to the Acquired Assets. The Engine Assembly Line had a production capacity of 200,000 units per year prior to its discontinuation of the production of N20 engines in April 2017. The Group will modify and upgrade the Engine Assembly Line in order to enable it to produce three-cylinder 1.2L displacement engines.

The Group intends to invest RMB25 million (equivalent to approximately HK\$30 million) for the modification and upgrading of the Engine Assembly Line, which is estimated to require 18 months.

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## LETTER FROM THE BOARD

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### **Consideration:**

The Consideration for the Acquired Assets is approximately RMB119.44 million (equivalent to approximately HK\$143.33 million), which was agreed upon between BBA and Mianyang Xinchun through arm's length negotiations after taking account of: (a) the book value of the Acquired Assets of approximately RMB95.25 million (equivalent to approximately HK\$114.30 million) as at 31 August 2017; (b) 5% margin on the book value of the Acquired Assets of approximately RMB4.76 million (equivalent to approximately HK\$5.71 million); (c) value added tax of 17% (as prescribed under the applicable laws and regulations of the PRC) of approximately RMB17.35 million (equivalent to approximately HK\$20.83 million); and (d) surcharge (comprising urban maintenance and construction tax, educational surtax and local educational surtax chargeable by the relevant authorities in the PRC) of approximately RMB2.08 million (equivalent to approximately HK\$2.49 million). The margin was determined after arm's length negotiations between BBA and Mianyang Xinchun. The Consideration will be settled by internal resources and bank borrowing.

The Consideration shall be payable as to approximately RMB35.83 million (equivalent to approximately HK\$43.00 million) within 5 days after the approval of the transactions contemplated under the Assets Transfer Agreement as required by the Listing Rules by the Independent Shareholders at the Extraordinary General Meeting and shall be no later than 30 November 2017; and as to approximately RMB83.61 million (equivalent to approximately HK\$100.33 million) on or before 31 December 2018.

The original purchase costs of the Acquired Assets were approximately RMB137.69 million (equivalent to approximately HK\$165.22 million), when purchased in October 2011.

### **Conditions Precedent:**

Closing of the Assets Transfer Agreement will occur after the satisfaction of the following conditions precedent:

- (i) the Consideration being fully paid by or on behalf of Mianyang Xinchun to BBA;
- (ii) BBA having obtained the approval from the competent customs authority and, if required by such customs authority, paid the relevant duty and tax in respect of the transfer of imported Acquired Assets under customs custody (if any) pursuant to the applicable laws;



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## LETTER FROM THE BOARD

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- (iii) the passing by the requisite majority of the Independent Shareholders at the Extraordinary General Meeting of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Assets Transfer Agreement;
- (iv) all necessary approvals, permits, licenses, registrations and filings from the competent development and reform commission and other related governmental authorities regarding environment protection and urban planning for the transactions contemplated under the Assets Transfer Agreement being obtained by Mianyang Xincheng (if any);
- (v) each party having obtained all necessary approvals from its shareholders or board of directors as required for the transactions contemplated under the Assets Transfer Agreement in accordance with its articles of association; and
- (vi) each related transaction document has been duly executed by the relevant parties, and there is no reasonable suspicion that any of such transaction documents may not come into effect in accordance with its terms and conditions.

### **Closing:**

Subject to the satisfaction or waiver (by the party or parties who have the right to do so) of the conditions, the parties agree that Closing shall take place on the day on which the Consideration has been fully paid by Mianyang Xincheng, and shall be no later than 31 December 2018. On the date of Closing, the title of the Acquired Assets will pass to Mianyang Xincheng.

### **III. REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSETS TRANSFER AGREEMENT**

With the support from BMW AG, the Group has been developing new three-cylinder 1.2L displacement engines. The Group decided to establish and develop its own production facilities for such engines in Shenyang after considering, among others, the location of existing production facilities of the Group and its management team, the location of the Group's existing and potential customers and strong support from local government of Shenyang.

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## LETTER FROM THE BOARD

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Rather than acquiring a brand-new production line, the Group decided to acquire the Acquired Assets from BBA, which will then be modified and upgraded in order to enable it to produce three-cylinder 1.2L displacement engines, after considering, among others, (i) the Acquired Assets are in a good condition, (ii) the Engine Assembly Line has been in operation for 2.5 years, the production processes of which have been optimised and proved to be stable and reliable, whereas the performance of a new production line may be relatively unstable, which may delay the three-cylinder 1.2L displacement engines production commencement date (which is expected to be in second half of 2019), and (iii) the Group will be able to achieve certain degree of costs saving as the consideration for the Engine Assembly Line and the costs that may be involved for its enhancement and upgrade are cheaper than the costs such for a new production line.

Taking into consideration the reasons for and benefits of the Acquisition, the Directors (excluding Directors who had abstained from voting on the relevant Board resolutions) are of the view that by acquiring the Acquired Assets, the time that will be incurred for preparing a modified and upgraded engine assembly line will be shorter than building up a brand-new assembly line and a more cost-saving and efficient approach that could allow the Group to better capture the demand for such engines. Accordingly, the Directors (excluding Directors who had abstained from voting on the relevant Board resolutions) consider that the transactions contemplated under the Assets Transfer Agreement to be in the interests of the Company and the Shareholders as a whole. The Directors (excluding Directors who had abstained from voting on the relevant Board resolutions) also consider that the terms of the Assets Transfer Agreement, which have been reached after arm's length negotiations between BBA and Mianyang Xinchun, are on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### IV. 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 the passenger vehicles in the PRC.

##### **The Brilliance China Group**

##### ***Brilliance China***

Brilliance China is a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange. It is an investment holding company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Brilliance China, through its wholly-owned subsidiary, owned approximately 31.20% of the issued share capital of the Company and is a connected person of the Company.

### ***BBA***

BBA is a sino-foreign equity joint venture company incorporated in the PRC and is owned as to 50% by Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China, and 50% by BMW Holding B.V. The principal activities of BBA include but are not limited to manufacture and sale of BMW vehicles.

### **V. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Brilliance China is interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company. Accordingly, Brilliance China is a connected person of the Company under Rule 14A.07(1) of the Listing Rules.

As at the Latest Practicable Date, Brilliance China is indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company under Chapter 14A of the Listing Rules.

Mianyang Xinchen is an indirect wholly-owned subsidiary of the Company.

As one or more of the applicable percentage ratios under Rule 14A.07 of the Listing Rules in respect of the Acquisition exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholder's approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Mr. Wu Xiao An, an executive Director, 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 deemed connected person of the Company by the Stock Exchange). Mr. Liu Tongfu, a non-executive Director, is also a director of Huachen (which is a controlling shareholder of Brilliance China and deemed connected person of the Company by the Stock Exchange). Accordingly, Mr. Wu Xiao An and Mr. Liu Tongfu are deemed to have a material interest in the transactions contemplated under the Assets Transfer Agreement and had abstained from voting on the Board resolutions in respect of the Assets Transfer Agreement. Apart from Mr. Wu Xiao An and Mr. Liu Tongfu, no other Directors were required to abstain from voting on the Board resolutions approving the Assets Transfer Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### VI. GENERAL

The Independent Board Committee, comprising Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Assets Transfer Agreement, after taking into account the recommendations of the Independent Financial Adviser.

The Company has appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Assets Transfer Agreement.

### VII. EXTRAORDINARY GENERAL MEETING

The Company will convene the Extraordinary General Meeting to, among other things, consider and approve the Assets Transfer Agreement, and the transactions contemplated thereunder. The notice convening the Extraordinary General Meeting is set out on pages 40 to 42 of this circular. Brilliance China is interested in 400,000,000 Shares, representing approximately 31.20% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Wu Xiao An is interested and deemed to be interested in an aggregate of 42,313,426 Shares, representing approximately 3.30% of the issued share capital of the Company, as at the Latest Practicable Date. Brilliance China, Mr. Wu Xiao An and their respective associates are required to abstain from voting at the resolution to be proposed at the Extraordinary General Meeting in relation to the Assets Transfer Agreement. Save as disclosed, none of the other Shareholders have any material interest in the transactions contemplated under the Assets Transfer Agreement and therefore are not required to abstain from voting at the Extraordinary General Meeting.

Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). The chairman of the Extraordinary General Meeting will demand a poll on the resolution proposed at the Extraordinary General Meeting. The results of the poll will be published on the websites of the Company and the Stock Exchange on the day of the Extraordinary General Meeting.

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## LETTER FROM THE BOARD

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A proxy form for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar 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 and in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting if you wish.

### VIII. RECOMMENDATION

The Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser, and except for Mr. Wu Xiao An and Mr. Liu Tongfu who had abstained from voting on the Board resolutions) are of the view that the transactions contemplated under the Assets Transfer Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors, except for Mr. Wu Xiao An and Mr. Liu Tongfu who had abstained from voting on the Board resolutions) recommend the Independent Shareholders to vote in favour of the resolution in relation to the Assets Transfer Agreement to be proposed at the Extraordinary General Meeting.

### IX. ADDITIONAL INFORMATION

Your attention is drawn to the (i) the letter from the Independent Board Committee as set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders as to voting at the Extraordinary General Meeting; (ii) the letter from the Independent Financial Adviser as set out on pages 14 to 32 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the additional information contained in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**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**

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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)

2 November 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF THE ENGINE ASSEMBLY LINE**

We refer to the circular issued by the Company to Shareholders dated 2 November 2017 (the “**Circular**”) of which this letter forms part. Terms defined in this Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Assets Transfer Agreement and to advise the Independent Shareholders in connection with the Assets Transfer Agreement and the transactions contemplated thereunder as to whether, in our opinion, their terms are fair and reasonable so far as the Independent Shareholders are concerned, and on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether the Assets Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having taken into account the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Assets Transfer Agreement and the transactions contemplated thereunder to be fair and reasonable so far as the interests of the Independent Shareholders are concerned on normal commercial terms or better and in the ordinary and usual course of business of the Group and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to approve the Assets Transfer Agreement and the transactions contemplated thereunder at the Extraordinary General Meeting.

Yours faithfully,

**Chi Guohua**

*Independent non-executive Director*

**Wang Jun**

*Independent non-executive Director*

**Huang Haibo**

*Independent non-executive Director*

**Wang Songlin**

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter received from the Independent Financial Adviser setting out its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Assets Transfer Agreement for inclusion in this circular.*



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

2 November 2017

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENGINE ASSEMBLY LINE**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Assets Transfer Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 2 November 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 3 October 2017 (after trading hours), Mianyang Xinchun, an indirect wholly-owned subsidiary of the Company, and BBA entered into the Assets Transfer Agreement, pursuant to which BBA will transfer to Mianyang Xinchun the Acquired Assets at a Consideration of approximately RMB119.44 million (equivalent to approximately HK\$143.33 million).

As at the Latest Practicable Date, Brilliance China, the controlling shareholder of the Company, is indirectly interested in 50% of the issued share capital of BBA. As BBA is an associate of Brilliance China, it is a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14 and 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 approval of the Independent Shareholders on the Acquisition at the Extraordinary General Meeting. Mr. Wu Xiao An (also known as Mr. Ng Siu On), an executive Director, 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 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 Assets Transfer Agreement and had abstained from voting on the Board resolutions in respect of the Assets Transfer Agreement and the transactions contemplated thereunder. Apart from Mr. Wu Xiao An and Mr. Liu Tongfu, no other Directors were required to abstain from voting on the Board resolutions in respect of the Assets Transfer Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Brilliance China is 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 is interested and deemed to be interested in an aggregate of 42,313,426 Shares, representing approximately 3.30% of the issued share capital of the Company. Accordingly, Mr. Wu Xiao An, Brilliance China and their respective associates are required to abstain from voting on the ordinary resolution to be proposed at the Extraordinary General Meeting in relation to the Assets Transfer Agreement, at which the voting will be conducted by way of poll in accordance with the requirements of the Listing Rules.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, has been established to advise the Independent Shareholders in respect of whether the terms of the Assets Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether such terms are on normal commercial terms or better and in the ordinary and usual course of business of the Group and whether the Assets Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. In this regard, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 of which are set out in the circulars of the Company dated 16 November 2015, 27 July 2016, 12 October 2016 and 26 May 2017). 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 this appointment as Independent Financial Adviser, 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.

### **BASIS OF OUR OPINION**

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 Latest Practicable Date. We have also relied on our discussions with the management of the Company regarding the Group and the Assets Transfer Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of 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 management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Mianyang Xincheng, Brilliance China, BBA and their respective controlling shareholder(s) and associates nor have we carried out any independent verification of the information supplied.

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Assets Transfer Agreement, we have considered the following principal factors and reasons:

#### 1. Background of and reasons for the Acquisition

##### *Information of the Group and the counterparty*

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 the passenger vehicles in the PRC.

BBA is a sino-foreign equity joint venture company incorporated in the PRC and is owned as to 50% by Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China, and 50% by BMW Holding B.V. The principal activities of BBA include but are not limited to manufacture and sale of BMW vehicles.

The following table is a summary of the audited financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the unaudited financial information of the Group as extracted from the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”). During the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, sale of gasoline engines and engine components and service income have been the principal source of revenue of the Group and contributed to approximately 90% of the total revenue of the Group.

	For the six months ended 30 June		For the year ended 31 December	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2016 RMB'000 (audited)	2015 RMB'000 (audited)
Revenue (by product segment)				
– Gasoline engines	889,756	1,388,478	2,696,215	2,568,436
– Diesel engines	162,638	105,795	267,931	262,772
– Engine components and service income	185,548	227,362	498,314	438,123
Total Revenue	1,237,942	1,721,635	3,462,460	3,269,331
Profit after tax	70,962	127,854	185,896	224,665

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	As at 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash and cash equivalents	349,005	568,442
Net cash from operating activities	524,409	449,803
Net increase (decrease) in cash and cash equivalents	42,991	280,230
Net assets	2,935,272	2,806,268

As set out in the table above, revenue of the Group increased by approximately 5.91% from approximately RMB3,269.33 million for the year ended 31 December 2015 to approximately RMB3,462.46 million for the year ended 31 December 2016. During the years ended 31 December 2015 and 2016, sales of gasoline engines have been the principal source of revenue of the Group and contributed to approximately 78.56% and 77.87% of the total revenue of the Group, respectively. For the year ended 31 December 2016, the engine business segment recorded an increase in revenue of approximately 4.70% as compared to the prior year, the increase was mainly due to the increase in sale of traditional small engine. However, the Group recorded a decrease in profit attributable to owners of the Company of approximately 17.26% from approximately RMB224.67 million for the year ended 31 December 2015 to approximately RMB185.90 million for the year ended 31 December 2016. Such decrease was mainly due to an increase in the total depreciation and amortization charge of approximately RMB72.96 million for property, plant and equipment and intangible assets during the year 2016. As at 30 June 2017, the Group recorded cash and cash equivalents of approximately RMB349.01 million. In view of i) the level of cash and the sustained cash inflow from operating activities of the Group; and (ii) the Group's intention to settle the Consideration with internal resources of the Group and bank borrowing, we are of the view that the Group has sufficient financial resources to satisfy the Consideration.

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Revenue of the Group decreased by approximately 28.10% from approximately RMB1,721.64 million for the six months ended 30 June 2016 to approximately RMB1,237.94 million for the six months ended 30 June 2017. During the six months ended 30 June 2016 and 2017, sales of gasoline engines remained the principal source of revenue of the Group and contributed to approximately 80.65% and 71.87% of the total revenue of the Group, respectively. For the six months ended 30 June 2017, the gasoline engines segment recorded a decrease in revenue of approximately 35.92% as compared to the prior period, the decrease was mainly due to the decrease in the sales of N20 gasoline engines caused by the discontinuation of using N20 engines for BMW vehicles in 2017. The Group recorded a decrease in profit attributable to owners of the Company of approximately 44.50% from approximately RMB127.85 million for the six months ended 30 June 2016 to approximately RMB70.96 million for the six months ended 30 June 2017 mainly as a result of the decrease in revenue during the period.

### ***Information on the Acquired Assets***

The Acquired Assets comprise (i) the Engine Assembly Line, the equipment and facilities in connection with the operation of the Engine Assembly Line; (ii) the spare parts which BBA has purchased for maintaining or repairing the Engine Assembly Line and/or the supporting equipment and facilities to be transferred together with the Engine Assembly Line. The Acquired Assets are currently located at Shenyang Economic and Technology Development Zone, Tiexi District, Shenyang, the PRC.

The Acquired Assets have been in-use for operation by BBA since 2015 for the production and assembly of N20 engines. The Engine Assembly Line had a production capacity of 200,000 units per year prior to its discontinuation of the production of N20 engines in April 2017. The original purchase costs of the Acquired Assets were approximately RMB137.69 million (equivalent to approximately HK\$165.22 million), when purchased in October 2011. The Group will modify and upgrade the Engine Assembly Line in order to enable it to produce three-cylinder 1.2L displacement engines. As advised by the Company, the estimated useful life of the Acquired Assets is approximately 12.5 years, which is determined based on the years of operation of the Acquired Assets and its maximum depreciable period under the Group's internal accounting policy. The Acquired Assets have been in operation for approximately 2.5 years and as explained in the Letter from the Board, the Acquired Assets are in good working conditions. Based on the experience of the management of the Company, with routine and proper inspection and maintenance to be undergone by the Company for its production facilities, the actual operational lives of the Acquired Assets may be longer than the estimated useful life as mentioned above.

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### *Reasons for entering into the Assets Transfer Agreement*

With reference to the 2017 Interim Report, the Group was near the end of implementing the industrialisation of Prince engines with 1.6L and 1.8L displacement and expected that contribution from the sales of Prince engines will gradually be in place by end of 2017. Other than the 1.6L and 1.8L displacement models, the Group has been developing the three-cylinder 1.2L displacement engine in response to the market demand of more stringent requirement for fuel consumption and emission standard. Such three-cylinder engine could be paired up with electric motors to cope with the increasing demand of hybrid electric vehicles – vehicles which are equipped with an engine system using a combination of batteries and internal combustion engines. We further noted from the 2016 Annual Report that all of the Group's major customers are second or third tier Chinese branded automobile manufacturers, and the Company expected that the market share of which has been continuously taken over by the leading market players which in turn might render the demand for the Group's engines under its own brand to remain volatile in near future. Therefore it has been the Group's strategy to explore more cooperation with the leading and sizeable automobile manufacturers by leveraging on the Group's new engines platform in order to avoid reliance on few customers and diversify its business risk.

The compatibility of the three-cylinder 1.2L displacement engine in hybrid electric vehicles would allow the Group to tap into the engine market for clean-energy vehicles in anticipation of the more stringent requirements on emission standards of vehicles and the increasing demand for clean-energy vehicles around the globe.

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According to the China Association of Automotive Manufacturers, sales of clean-energy vehicles have shown tangible growth for the two years ended 31 December 2015 and 2016 and for the six months ended 30 June 2017 which amounted to approximately 330,100 units, 409,000 units and 195,000 units respectively, representing an increase of approximately 340.00%, 65.10% and 26.20%, respectively, as compared to the preceding year or period. In particular, sales of plug-in hybrid electric vehicles have increased from approximately 84,000 units in 2015 to approximately 98,000 units in 2016, representing an increase of approximately 16.67%. Based on our independent research, the development of hybrid electric vehicles in China was also highlighted in various national development schemes for automotive industry. With reference to the “Formal Policy on Mid-to-Long Term Development of Automotive Industry”\* (汽車產業中長期發展規劃) jointly released by the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Science and Technology of the PRC in April 2017, the development of hybrid vehicle technology for vehicles was highlighted as one of the key focuses under the guidance and encouragement of the PRC government, which would involve government initiatives in the aspects of scientific and technological research, technological transformation, industrialisation of new technologies and policies, etc, in order to promote the production and use of the hybrid electric vehicles.

Furthermore, we noted that pure electric vehicles have been the main direction of the development of clean-energy vehicles in China for the past few years, but the lack of charging facilities, short life mileage for car batteries and the adverse impact on battery durability due to poor weather conditions have restricted the promotion and development of use of pure electric vehicles. As such, hybrid electric vehicles are therefore considered as one of the most feasible alternatives for clean-energy vehicles. As further set out in the final rule of the “Stage 6 Limits and Measurement Methods for Emissions from Light-Duty Vehicles”\* (輕型汽車污染物排放限值及測量方法 (中國第六階段)) jointly released by the Ministry of Environment Protection and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC in December 2016, more stringent emission standards will be introduced to light-duty diesel and gasoline vehicles in 2020 in order to narrow the gap between China and the world’s leading markets in tightening their emission requirements for new light-duty vehicles, such standards are publicly considered as comparable or slightly more stringent than the latest emissions standards in Europe and the United States. Following the announcement by France and the United Kingdom in relation to their plans on banning sales of new petrol and diesel vehicles by 2040 as part of the efforts to reduce pollution and carbon emissions, the PRC government has signalled it will join the line of nations queuing up to ban the sale of diesel and petrol vehicles in the coming decades. On 28 September 2017, a comprehensive set of emission rules and

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new-energy vehicle credit score program has been released by the PRC government as set out in the “Measures for Calculation of Passenger Vehicles’ Corporate Average Fuel Consumption”\* (乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法), which requires automobile manufacturers that produce or import more than 30,000 “traditional” energy vehicles annually in China, to sell a certain number of clean-energy vehicles every year from 2019, those who fail to comply must purchase enough “new-energy vehicle credits” or face fines. It is expected that new policies and measures in relation to fostering the adoption of electric vehicles or other clean-energy vehicle in preparation for the ban will gradually be adopted in China in the future. As advised by the Company, the Group is aware of the new government initiatives and policies as mentioned above and consider, and we concur that, the Acquisition and the subsequent modification and upgrades of the Acquired Assets into producing compatible engines for hybrid electric vehicles is a strategic move for the Company which will assist the Group to gradually transit its engine products in compliance with the more stringent government policies and emission requirements in the foreseeable future and help maintain the market competitiveness of the Group’s engine products in the automotive industry.

Apart from the effect of government policies and standards, According to the “Global EV Outlook 2017” published by the International Energy Agency, batteries and their electronic components have been identified as the key technological challenge to be overcome in the successful development of the electric vehicle industry considering the entire production chain. However, the battery costs for electric-powered vehicles has declined rapidly in the past few years led by continuous research, development and deployment, mass production prospects and sizable investments in charging points and other associated infrastructures, costs associated with acquiring (in terms of purchase costs, purchase subsidies, tax rebates and tax exemptions, etc.) and using pure and/or hybrid electric vehicles (in terms of fuel and maintenance savings) are expected to steadily approach parity with internal combustion engine vehicles, upon which it is reasonable for a shift of consumer preferences from gas-powered vehicles to cleaner and more affordable battery-powered vehicles. Furthermore, in 2016, motorists in China have become the biggest buyers of cars powered by electric and hybrid systems, accounting for more than 40% of the electric cars (including hybrid electric vehicles) sold in the world and more than double the amount sold in the United States. Based on our independent research, we noted that a number of international car makers such as Renault, Nissan, Ford and Volkswagen Group have formed joint ventures in the PRC with a view to tap into the electric vehicle market. Moreover, several major automotive manufacturers have announced various plans in boosting their electric vehicle offerings in China at the annual auto show held in Shanghai during April 2017, which Volvo has confirmed



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it will introduce its first 100-percent electric car in China in 2019, while Ford will market its first hybrid vehicle in early 2018 and envisions 70 percent of all Ford cars available in China will have electric options by 2025.

In view of the above, the Board considers, and we concur, that the Acquisition and the subsequent development of the Acquired Assets is a good opportunity now for the Group, being positioned with the support from BMW AG, to penetrate into the engine market for clean-energy vehicles under the clear industry guidance from the PRC government, so as to enjoy the potential growth in hybrid electric engines market when further favourable government policies or guidances with regards to the development of clean-energy vehicles (including hybrid-electric vehicles) come in line.

As advised by the Company, on a business strategic perspective, building a brand-new engine assembly line rather than purchasing the Acquired Assets is more time consuming and capital intensive in terms of upfront market research and sourcing of qualified producers for each of the production facilities, and the end result is uncertain. The Group decided to acquire the Acquired Assets from BBA which will then be modified and upgraded in order to enable it to produce the three-cylinder 1.2L displacement engine, after considering, among others, (i) the Acquired Assets are in a good condition operated by BBA with the estimated remaining lifespan of the Acquired Assets of approximately 10 years; (ii) the Engine Assembly Line has been in operation for 2.5 years and the production of which has been optimised and proven to be stable and reliable, whereas the performance of a new engine assembly line may be relatively unstable, which may delay the three-cylinder 1.2L displacement engine production commencement date (which is expected to be in second half of 2019); and (iii) the Group will be able to achieve certain degree of costs saving as the consideration for the Acquired Assets of approximately RMB119.44 million and the costs that are associated from its logistic arrangement, assembly and testing, and subsequently its enhancement and upgrade of approximately RMB25.00 million are approximately RMB7.78 million lower than that for building and assembling a new engine assembly line.

As part of our due diligence, we have obtained from the Company and reviewed the purchasing analysis in relation to the investment comparison on building a brand-new engine assembly line and purchasing the Acquired Assets for further modification and upgrade into producing three-cylinder 1.2L displacement engine at the end.

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We noted from the purchasing analysis that the estimated cost associated with modifying and upgrading the Acquired Assets will only be a fraction of the Consideration. Upon comparing, the total estimated costs comprising of the Consideration and the estimated modification and upgrading expenses will be approximately RMB7.78 million lower than the costs associated with building a brand-new engine assembly line by the Company from scratch. Moreover, it is expected that approximately 2 years is required for building up a brand-new engine assembly line and additional resources will be required (i.e. production consultants, technicians, and management supervisors, etc.) for calibrating the brand-new engine assembly line and equipment into workable condition before commencement of the three-cylinder 1.2L displacement engine production. Whereas to completely knock down the Acquired Assets for re-assembly and re-tooling in the designated site, which all the equipment and process under the Acquired Assets are qualified for the stringent requirement and specifications provided by BBA at its existing operation, may facilitate the stable production and lower the costs for the calibration process as mentioned above after the modification and upgrade, it is estimated that the commencement of the three-cylinder 1.2L displacement engine production would be approximately 6 months earlier as compared to that of building up a brand-new engine assembly line. Despite a relatively longer production life for a new engine assembly line can be expected as compared to the Acquired Assets, the Directors consider that certain machinery and equipment of the Acquired Assets which will be modified and upgraded for the production of the three-cylinder 1.2L displacement engines, have operational lives longer than the expected lifespan as estimated under internal accounting policies, and the shorter time incurred for preparing the modified and upgraded engine assembly line may allow the Group to better capture the increasing demand for hybrid electric engines in the foreseeable future. The unforeseen issues of building a new engine assembly line (e.g. delay in production and deterioration of production quality) can also be eliminated.

Based on the aforesaid, we concur with the Directors' view that acquiring the Acquired Assets is a more cost-saving and efficient approach for further modification and upgrade into producing the three-cylinder 1.2L displacement engine and is therefore in the interest of the Company. We consider that there is a strong commercial rationale for the Company to enter into the Assets Transfer Agreement and the acquisition of the Acquired Assets for the purpose of building up production facilities for the three-cylinder 1.2L displacement engine, will enrich the Group's product portfolio in the future, and expand the Group's business exposure in the engine manufacturing industry with a high-end product for hybrid electric vehicles.

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### 2. Terms of the Assets Transfer Agreement

#### *Consideration*

As set out in the Letter from the Board, the Consideration for the Acquired Assets consists of (i) the book value of the Acquired Assets approximately RMB95.25 million (equivalent to approximately HK\$114.30 million) as at 31 August 2017 plus a reasonable margin of 5% on the book value of the Acquired Assets of approximately RMB4.76 million (equivalent to approximately HK\$5.71 million) based on arm's length negotiations; (ii) value added tax of 17% as prescribed under the applicable laws and regulations of the PRC of approximately RMB17.35 million (equivalent to approximately HK\$20.83 million); and (iii) surcharge comprising urban maintenance and construction tax, education surtax and local educational surtax chargeable by the relevant authorities in the PRC of approximately RMB2.08 million (equivalent to approximately HK\$2.49 million). The margin was determined after arm's length negotiations between BBA and Mianyang Xinchun. The Consideration will be settled by internal resources and bank borrowing.

The Consideration shall be payable as to approximately RMB35.83 million (equivalent to approximately HK\$43.00 million) within 5 days after the approval of the transactions contemplated under the Assets Transfer Agreement as required by the Listing Rules by the Independent Shareholders at the Extraordinary General Meeting and shall be no later than 30 November 2017; and as to approximately RMB83.61 million (equivalent to approximately HK\$100.33 million) on or before 31 December 2018.

#### *Conditions Precedent*

Closing of the Assets Transfer Agreement will occur after the satisfaction of the following conditions precedent:

- (i) the Consideration being fully paid by or on behalf of Mianyang Xinchun to BBA;
- (ii) BBA having obtained the approval from the competent customs authority and, if required by such customs authority, paid the relevant duty and tax in respect of the transfer of imported Acquired Assets under customs custody (if any) pursuant to the applicable laws;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the passing by the requisite majority of the Independent Shareholders at the Extraordinary General Meeting of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Assets Transfer Agreement;
- (iv) all necessary approvals, permits, licenses, registrations and filings from the competent development and reform commission and other related governmental authorities regarding environment protection and urban planning for the transactions contemplated under the Assets Transfer Agreement being obtained by Mianyang Xincheng (if any);
- (v) each party having obtained all necessary approvals from its shareholders or board of directors as required for the transactions contemplated under the Assets Transfer Agreement in accordance with its articles of association; and
- (vi) each related transaction document has been duly executed by the relevant parties, and there is no reasonable suspicion that any of such transaction documents may not come into effect in accordance with its terms and conditions.

Subject to the satisfaction or waiver (by the party or parties who have the right to do so) of the conditions precedent, the parties agree that Closing shall take place on the day on which the Consideration has been fully paid by Mianyang Xincheng, and shall be no later than 31 December 2018. On the date of Closing, the title of the Acquired Assets will pass to Mianyang Xincheng.

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We noted that the Consideration was determined based on the book value of the Acquired Assets, which is the total capital invested in building the Acquired Assets after deducting depreciation, plus a margin, relevant value added tax and surcharge. We have obtained and reviewed the calculation of the Consideration and list of Acquired Assets. We noted that the Acquired Assets mainly comprises assembly line, testing and checking work station and relevant spare parts. As advised by the Company, building a new engine assembly line requires substantial effort to install and adjust before the production is smooth and stable with consistent production yield. In addition to the inevitable tax surcharges such as value added tax at rate of 17%, urban maintenance and construction tax and educational surtax that must be complied with in accordance with the relevant rules and regulation of the PRC when acquiring assets in the PRC will be paid by BBA on behalf to the local tax bureau, the 5% margin is reasonable and was determined based on an arm's length negotiation between the parties taking into account of the long-term business relationship with BBA and by reference to previous transactions with BBA. We noted the 5% margin is consistent with the margin of other similar connected transaction between the Group and BBA.

To assess the fairness and reasonableness of the Consideration, we performed a comparables analysis through identifying companies principally engaged in the automobile industry and listed on the Main Board of the Stock Exchange which announced acquisition of production lines/facilities of automobiles, automotive components and/or parts within the past 12 months from the date of the announcement of the Company dated 3 October 2017 (the “**Announcement**”) from connected parties. Having taken into account that the Assets Transfer Agreement is a direct acquisition of the Acquired Assets by the Group, we have disregarded those transactions which involved acquisition of equity interest in companies as we noted such acquisitions involve, in most cases, the sale and purchase of the target company's business operations, liabilities, human resources and intangible assets in addition to the production lines/facilities themselves. We consider that the inclusion of which in our comparables analysis would render the comparison less fair and meaningful based on the fact that the Group will only be acquiring the Acquired Assets.

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Based on the above criteria, we have endeavored to find but were unable to identify any close comparable transactions, save for the discloseable and connected transactions of the Company conducted in September 2016 and in April 2017, where: (i) the Company acquired from BBA the N20 engine assembly line and the affiliated facilities in September 2016 for the purpose of modifying and upgrading for the production of prince engines; and (ii) the Company acquired from BBA the C3 crankshaft production line as part of the Group's expansion plan in expanding the production capacity of finished crankshafts in anticipation of the increased sales to BBA, the considerations for both of the aforementioned production facilities represented a premium margin of 5% to the book value of the respective production facilities acquired which are the same as the consideration structure under the Assets Transfer Agreement. Moreover, we have also performed research to identify companies principally engaged in vehicle manufacturing and listed in Shanghai Stock Exchange, Shenzhen Stock Exchange, New York Stock Exchange, Nasdaq and London Stock Exchange which announced acquisition or disposal of production lines/facilities of automobiles, automotive components and/or parts within the past 12 months from the date of the Announcement. We have identified one transaction which is related to the acquisition of a company manufacturing truck bodies and trailers by a street cleaning vehicle manufacturer. However, there was no further information disclosed relating to the comparison between the book value and consideration of the production lines/facilities and thus, we were unable to determine the respective premium or discount on the relevant book value. In light of the foregoing, we are of the view that there are limited comparable transactions available in the market for any meaningful comparison and assessment of the Consideration.

Furthermore, as advised by the Company, the engine assembly line and the affiliated facilities acquired by the Company from BBA in September 2016 (the "**Previous N20 Engine Assembly Line**") at the consideration of approximately RMB94.77 million (equivalent to approximately HK\$110.19 million) and the Acquired Assets which were acquired by the Company at the Consideration of approximately RMB119.44 million (equivalent to approximately HK\$143.33 million) are mostly similar in terms of their compositions and structures. Both of which functioned properly and both of their equipment and processes are qualified for the stringent requirement and specifications provided by BBA at their state of operation. Based on the consideration that the Previous N20 Engine Assembly Line has been used for 4.5 years at the time when it was acquired by the Company, whereas the Engine Assembly Line has a shorter operating history of 2.5 years, we are of the view that the Consideration (which is determined based on the book value of the Acquired Assets deducting depreciation plus a margin) being higher than that of the Previous N20 Engine Assembly Line is fair and reasonable.

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On the other hand, to further assess the fairness and reasonableness of the margin of 5%, we have identified (to the best of our knowledge) three companies (the “**Margin Comparables**”) which, in the past 12 months from the date of the Announcement, (i) are listed on the Main Board of the Stock Exchange; and (ii) entered into asset transfer agreement of fixed assets excluding equity interest, property, land and intangible assets whose nature we consider incomparable to the Acquired Assets. Taking into account that the net asset value of the Margin Comparables’ asset decreases over time as the Acquired Assets do and the assets in the Margin Comparables are equipment and machinery as the Acquired Assets, we consider the Margin Comparables are of the similar nature as the Acquired Assets. We have reviewed and tabulated below the details of the Margin Comparables:

Date of announcement	Company Name	Stock code	Asset acquired	Margin on book value of the acquired asset (%)
12 April 2017	Vincent Medical Holdings Limited	1612	Equipment and machinery	–
31 March 2017	Welling Holding Limited	382	Equipment and machinery	8.0
20 February 2017	Varitronix International Limited	710	Production equipment, office equipment, information technology (IT) equipment and other auxiliary tools and equipment	45.4
			<i>Maximum</i>	45.4
			<i>Minimum</i>	–
			<i>Average</i>	17.8
			<i>Median</i>	8.0
	The Company	1148	Engine Assembly Line, the Affiliated Facilities and the Spare Parts	5.0

*Source: www.hkex.com.hk*

We note that the margins on book value of the Margin Comparables ranged from approximately nil to approximately 45.4% and had an average of approximately 17.8% and a median of approximately 8.0%. The margins on book value of the Company (5.0%) was within the range and lower than the average and median of margins on book value of the Margin Comparables.

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Furthermore, in general accounting practice, plant and machinery has a useful life of around 10 years and the net carrying value of plant and machinery is recognised after deducting the relevant depreciation expense at rate of around 10% per annum. Thus, it is fair for a vendor to ask for a return to at least cover its carrying costs (including the depreciation expense incurred). In the case of the Assets Transfer Agreement, the margin of 5% is charged between the parties after taking into account of the long-term business relationship with BBA and by reference to previous transactions with BBA. Based on the above, we are of the opinion that the margin of 5% is fair and reasonable.

Having considered (i) the strategic benefits of the Assets Transfer Agreement to the Group as discussed in the paragraph headed “Reasons for entering into the Assets Transfer Agreement” above, in particular, the cost and time savings in acquiring an existing production facility against constructing the facility by the Group itself; (ii) the installation and adjustment effort saved in purchasing the Acquired Assets; (iii) the result of our comparables analysis; and (iv) the counterparty of the transaction being BBA who is a reputable business partner with long-term collaboration relationship and the Engine Assembly Line has been built in accordance with BMW’s world class quality standard, we are of the view that the 5% margin over the book value of the Acquired Assets is acceptable and reasonable and we consider the adoption of book value as primary basis for determining the Consideration is fair and reasonable.

### **3. Financial effects of the Acquisition**

#### ***(i) Earnings***

As advised by the Company, the Group acquires the Acquired Assets to conduct modification and upgrades to enable it to produce the new three-cylinder 1.2L displacement engines at the end.

Upon completion of the transfer, the Acquired Assets will become assets of the Group. The Acquired Assets, upon commencement of production of the new three-cylinder 1.2L displacement engines after the aforementioned modification and upgrade, will enrich the product portfolio and broaden the Group’s revenue base. Hence, it is expected that the Acquisition would bring positive effect to the earnings of the Group.



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**(ii) Cashflow**

Based on the 2017 Interim Report, the Group had cash and bank balances of approximately RMB349.01 million as at 30 June 2017. As advised by the Company, the Company intends to settle the Consideration by way of bank borrowing and internal resources. Thus, it is expected that there will be a cash outflow of the Group arising from the Assets Transfer Agreement but we consider this will not affect the working capital sufficiency of the Group as the Group has been profit-making consecutively since 2009 and recorded a net current assets in the amount of approximately RMB438.96 million as at 30 June 2017.

**(iii) Net asset value**

Based on the 2017 Interim Report, as at 30 June 2017, the unaudited consolidated net assets and the net asset value per Share were approximately RMB2,935.27 million and approximately RMB2.29 respectively. Upon the completion of the Acquisition, the Acquired Assets will become assets of the Group which will be offset by the Company's settlement of the Consideration by internal resources and bank borrowings. Accordingly, we consider that there will be a neutral effect on the Group's net assets position and on net asset value per Share upon Closing.

**(iv) Gearing**

According to the 2017 Interim Report, the gearing ratio of the Group as at 30 June 2017 was approximately 58.17%, as derived by dividing the total bank borrowings of the Group as at 30 June 2017 of approximately RMB1,707.56 million by the total equity of the Group of approximately RMB2,935.27 million as at 30 June 2017. However, given the Group intends to settle the consideration through bank borrowing and internal resources, the gearing ratio of the Group may increase.

On such basis, we are of the view that the transactions contemplated under the Assets Transfer Agreement will have a positive impact on the Group's earnings and a neutral effect on the Group's net assets positions, albeit it will have a short-term negative impact on the Group's cashflow and gearing. Thus, we are of the view that the Assets Transfer Agreement, on balance, is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons, we are of the opinion that the terms of the Assets Transfer Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and such terms are fair and reasonable and the transactions contemplated under the Assets Transfer Agreement are in the interests of the Company and the Independent 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 Assets Transfer Agreement and the transactions contemplated thereunder.

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

### Directors and chief executives of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company and their respective associates had interests and short positions in the Shares, the underlying Shares and/or the debentures (as the case may be) of the Company or any associated corporations (within the meaning of Part XV of the SFO) which 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 any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules:

Name of Director	Long position/ short position	Nature of interests	Number and class of Shares	Approximate percentage of shareholding <sup>(3)</sup>
Mr. Wu Xiao An (also known as Mr. Ng Siu On) <sup>(1)</sup>	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 <sup>(2)</sup>	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.

**Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as known to the Directors and chief executives of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or 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, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register to be kept under section 336 of the SFO:

Name of Shareholder	Nature of interests	Number and class of Shares	Approximate percentage of shareholding <sup>(6)</sup>
Brilliance Investment Holdings Limited	Beneficial owner	400,000,000 ordinary (L)	31.20%
Brilliance China <sup>(1)</sup>	Interest in a controlled corporation	400,000,000 ordinary (L)	31.20%
Huachen <sup>(2)</sup>	Interest in a controlled corporation	400,000,000 ordinary (L)	31.20%
Xinhua Investment Holdings Limited	Beneficial owner	400,000,000 ordinary (L)	31.20%

**APPENDIX**
**GENERAL INFORMATION**

Name of Shareholder	Nature of interests	Number and class of Shares	Approximate percentage of shareholding <sup>(6)</sup>
Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited <sup>(3)</sup>	Interest in a controlled corporation	400,000,000 ordinary (L)	31.20%
Sichuan Yibin Pushi Group Co., Ltd. <sup>(4)</sup>	Interest in a controlled corporation	400,000,000 ordinary (L)	31.20%
Sichuan Province Yibin Wuliangye Group Co., Ltd. <sup>(5)</sup>	Interest in a controlled corporation	400,000,000 ordinary (L)	31.20%
JPMorgan Chase & Co.	Beneficial owner	88,806,600 ordinary (L)	6.92%
		185,000 ordinary (S)	0.01%
	Custodian corporation/ approved lending agent	88,436,600 ordinary (P)	6.89%
Templeton Asset Management Ltd.	Investment Manager	88,504,800 ordinary (L)	6.90%

*Notes:*

- (1) Brilliance Investment Holdings Limited (“**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 Holdings Limited (“**Xinhua Investment**”) is a direct wholly-owned subsidiary of Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited (“**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 Sichuan Yibin Pushi Group Co., Ltd. (“**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 Sichuan Province Yibin Wuliangye Group Co., Ltd. (“**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, (S) – Short Position, (P) – Lending Pool*

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company or a member of the Group) who had an interest or short position in the Shares or 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, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### 3. DIRECTORS’ INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Group.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract 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)).

**5. EXPERT'S CONSENT AND QUALIFICATION**

- (a) The following sets out the qualifications of the expert who have given their opinions or advice as contained in this circular:

<b>Name</b>	<b>Qualification</b>
Octal Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Assets Transfer Agreement

- (b) As at the Latest Practicable Date, the Independent Financial Adviser does not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, the Independent Financial Adviser does not have any interest, direct or indirect, in any asset which have been since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group.
- (d) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statement or advice and references to its name in the form and context in which they are included.
- (e) The letter and recommendation given by the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

**6. COMPETING INTERESTS**

None of the Directors and his associates is 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, executive vice president, and vice general manager of auto business unit
Mr. Yang Ming	Pushi Group	vice president

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors have confirmed that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest 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 (Saturdays and public holidays excepted) at Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong from the Latest Practicable Date up to and including the date which is 14 days from the Latest Practicable Date and at the Extraordinary General Meeting:

- (1) Assets Transfer Agreement;
- (2) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular;
- (3) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 32 of this circular; and
- (4) the written consent from the Independent Financial Adviser referred to in section 5 of 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 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 Xincheng China Power Holdings Limited (the “**Company**”) will be held at Tian & Di Room, 7/F, The Landmark Mandarin Oriental, The Landmark, 15 Queen’s Road Central, Central, Hong Kong on Wednesday, 22 November 2017 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 assets transfer agreement (the “**Assets Transfer Agreement**”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of this meeting for the purpose of identification) dated 3 October 2017 entered into between Mianyang Xincheng Engine Co., Ltd.\* (綿陽新晨動力機械有限公司) (an indirect wholly-owned subsidiary of the Company) (“**Mianyang Xincheng**”) 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) (“**BBA**”) pursuant to which BBA would transfer to Mianyang Xincheng certain assets and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) any director of the Company (the “**Director**”) and any director of Mianyang Xincheng be and are hereby authorised, for and on behalf of the Company and Mianyang Xincheng respectively, to do all such things and exercise all powers which he considers necessary or desirable or expedient in connection with the Assets Transfer 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 authorised to affix the common seal of the Company (if required) on any document or deed as they consider appropriate.”

By order of the Board  
**Xincheng China Power Holdings Limited**  
**Ngai Ka Yan**  
*Company Secretary*

Hong Kong, 2 November 2017

*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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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 share registrar 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 (i.e. not later than 9:00 a.m. (Hong Kong time) on Monday, 20 November 2017) or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.
5. The Hong Kong branch register of members of the Company will be closed from Friday, 17 November 2017 to Wednesday, 22 November 2017, 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 Friday, 17 November 2017 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 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 Thursday, 16 November 2017.
6. The ordinary resolution set out in this notice of extraordinary general meeting will be put to shareholders to vote taken by way of a poll.

\* *for identification purposes only*