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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

**CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF  
(1) THE SALE AND PURCHASE OF ENGINES, ENGINE PARTS AND  
COMPONENTS AND RAW MATERIALS  
AND  
(2) THE PROVISION OF TECHNICAL CONSULTING AND  
ADVISORY SERVICES**

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

 **金融有限公司**  
**OCTAL Capital Limited**

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A letter from the Board is set out on pages 7 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from Octal Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 44 of this circular.

A notice convening the EGM to be held at Lounge, M/F, Grand Hyatt Hotel, 1 Harbour Road, Hong Kong on Tuesday, 17 June 2014 at 9:00 a.m. is set out on pages 54 to 55 of this circular. Whether or not you are able to attend the EGM, 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 EGM or adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you wish.

28 May 2014

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associated corporation”	has the meaning ascribed thereto in the SFO
“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.
“BBA Compliance Agreement”	the compliance agreement dated 23 May 2014 entered into between BBA, the Company and Mianyang Xinchen in relation to the sale and purchase of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of related services
“BMW”	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
“Brilliance China Group”	Brilliance China and its subsidiaries
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Xinchen China Power Holdings Limited (新晨中國動力控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability

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## DEFINITIONS

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“Conditions”	the conditions precedent to the effectiveness of the BBA Compliance Agreement as set out in Clause 3.1 of the BBA Compliance Agreement
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Connection Rods Supply Arrangement”	the arrangement between BBA and Mianyang Xinchen in relation to the supply of connection rods
“controlled corporation”	has the meaning ascribed thereto in the SFO
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Tuesday, 17 June 2014, including any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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
“Incentive Scheme”	an incentive scheme established by the Company in 2011 before the global offering which serves as a retention tool and to align the interests of certain Directors, management, employees and the relevant personnel of the Group as referred to in the Prospectus

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, being Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin
“Independent Financial Adviser”	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 BBA Compliance Agreement
“Independent Shareholder(s)”	Shareholder(s) other than Brilliance China and its associates
“Inventories”	engine parts and components and other related production materials to be purchased by the Group for testing of N20 engine production line
“light commercial vehicles”	light commercial vehicles that are mainly used for carrying passengers or commercial goods, including small truck, light-duty truck and small bus
“Latest Practicable Date”	23 May 2014, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
“Lead In”	Lead In Management Limited (領進管理有限公司), a company incorporated on 18 May 2011 in the BVI and is owned as to 50% by Mr. Wu Xiao An and 50% by Mr. Wang Yunxian, both of whom are the executive Directors and which was incorporated for the purpose of holding the Shares on trust for the beneficiaries pursuant to the Incentive Scheme
“Listing”	listing of the Shares on the Main Board of the Stock Exchange

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“March Announcement”	the announcement issued by the Company on 12 March 2014 in relation to the provision of technical consulting and advisory services and the procurement of Inventories of N20 engines with BBA and the Materials Procurement Agreement, among other matters
“Materials Procurement Agreement”	the materials procurement agreement dated 12 March 2014 entered into between Mianyang Xincheng and Huachen in relation to the procurement of connection rod roughcasts and related parts
“May Announcement”	the announcement issued by the Company on 23 May 2014 in relation to the continuing connected transactions in respect of (1) the sale and purchase of engines, engine parts and components and raw materials and (2) the provision of technical consulting and advisory services
“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
“N20 Engine Assembly License Agreement”	the N20 engine assembly license agreement dated 12 December 2012 entered into among BMW, BBA and Mianyang Xincheng, in relation to the granting of license for the assembly of N20 engines, among other matters
“N20 Engine Parts Supply Framework Agreement”	the N20 engine parts supply framework agreement dated 12 December 2012 entered into between BBA and Mianyang Xincheng in relation to the supply of N20 engine parts and components to Mianyang Xincheng for the assembly of N20 engines

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## DEFINITIONS

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“N20 Engine Technical Consulting and Advisory Service Framework Agreement”	the N20 engine technical consulting and advisory service framework agreement dated 12 December 2012 entered into between BBA and Mianyang Xinchun in relation to the technical consulting and advisory service to be provided by BBA to Mianyang Xinchun for the assembly of N20 engines
“N20 Supply Arrangement”	the arrangement among BMW, BBA and Mianyang Xinchun in relation to the assembly of N20 engines and the provision of related engine parts and components and services
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus of the Company dated 28 February 2013
“passenger vehicles”	passenger vehicles which are mainly used for transporting passengers with maximum nine passengers
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 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 Automotive”	Shenyang Brilliance Jinbei Automobile Co., Ltd.* (瀋陽華晨金杯汽車有限公司), a company established in the PRC, and an indirect non wholly-owned subsidiary of Brilliance China
“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

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto in the SFO
“%”	per cent

\* *for identification purposes only*

*For the purposes of illustration only, any amount denominated in RMB in this circular and translated into HK\$ was translated at the rate of RMB1 = HK\$1.236. 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 at all.*



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LETTER FROM THE BOARD

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**POWER XINCHEN**

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**XINCHEN CHINA POWER HOLDINGS LIMITED**

新晨中國動力控股有限公司

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

**(Stock Code: 1148)**

*Executive Directors:*

Mr. Wu Xiao An

(also known as Mr. Ng Siu On) (*Chairman*)

Mr. Wang Yunxian (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Qi Yumin

Mr. Li Peiqi

*Independent Non-executive Directors:*

Mr. Chi Guohua

Mr. Wang Jun

Mr. Huang Haibo

Mr. Wang Songlin

*Registered office:*

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal place of business*

*in Hong Kong:*

Suites 1602-05

Chater House

8 Connaught Road Central

Hong Kong

28 May 2014

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF  
(1) THE SALE AND PURCHASE OF ENGINES, ENGINE PARTS AND  
COMPONENTS AND RAW MATERIALS  
AND  
(2) THE PROVISION OF TECHNICAL CONSULTING AND  
ADVISORY SERVICES**

**INTRODUCTION**

Reference is made to the May Announcement, the March Announcement, the Company's circular dated 31 December 2013, the Company's announcement dated 25 November 2013 and the Prospectus.

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## **LETTER FROM THE BOARD**

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The purpose of this circular is to provide you with details of the BBA Compliance Agreement and to set out the recommendation of the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the BBA Compliance Agreement including the proposed annual caps and the transactions contemplated thereunder.

### **KEY TERMS OF THE BBA COMPLIANCE AGREEMENT**

#### **Nature of the continuing connected transactions**

On 23 May 2014 (after trading hours), BBA, the Company and Mianyang Xincheng entered into the BBA Compliance Agreement to supplement the N20 Supply Arrangement and the Connection Rods Supply Arrangement and in anticipation of potential sale and purchase of engine parts and components and raw materials and/or provision of the related services. Pursuant to the BBA Compliance Agreement, the parties have agreed on certain principles for the following transactions:

1. the Group will sell to BBA or its subsidiaries and BBA or its subsidiaries will purchase from the Group engines, engine parts and components (including the connection rods) and raw materials for manufacturing engines and engine parts and components from time to time;
2. BBA or its subsidiaries will sell to the Group and the Group will purchase from BBA or its subsidiaries engine parts and components (including the connection rod roughcasts) and raw materials for manufacturing engines and engine parts and components from time to time; and
3. BBA or its subsidiaries will provide to the Group consulting and advisory services relating to engines or engine parts and components from time to time.

#### **Conditions precedent to the BBA Compliance Agreement**

The BBA Compliance Agreement will become effective upon the satisfaction of the following Conditions:

- (1) the BBA Compliance Agreement having been duly executed by the parties and affixed with the company chop or the company seal of each party; and
- (2) the BBA Compliance Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders.

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## LETTER FROM THE BOARD

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The parties cannot waive any of the above Conditions. If the Conditions are not satisfied within six (6) months from the date of the BBA Compliance Agreement or by a later date as mutually agreed by the parties, the BBA Compliance Agreement will automatically terminate.

### **Term**

Upon the satisfaction of the above Conditions, the BBA Compliance Agreement will be in effect for three (3) years from the effective date of the BBA Compliance Agreement (inclusive of the first day and the last day of the term) unless it is terminated before the expiration of the term by any party serving at least three (3) months' prior written notice to the other parties. Subject to compliance with the requirements of the Listing Rules (including the independent shareholders' approval requirement), upon the expiration of the initial three-year term, the BBA Compliance Agreement will be automatically renewed for successive periods of three (3) years.

### **Operational agreements and purchase orders**

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

As all the operational agreements and purchase orders in relation to the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components from BBA to the Group will be subject to the global procurement guidelines of BMW which apply to its independent suppliers on a worldwide basis, the Directors believe that the terms of these operational agreements and purchase orders are on normal commercial terms and in the interests of the Company and of its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### PROPOSED ANNUAL CAPS, PRICING POLICIES AND PAYMENT TERMS

#### Summary of the proposed annual caps

A summary of the proposed annual caps for the continuing connected transactions contemplated under the BBA Compliance Agreement for the three years ending 31 December 2016 is set out below:

Details of the relevant continuing connected transactions	For the year ending 31 December 2014	Proposed annual caps	
		For the year ending 31 December 2015	For the year ending 31 December 2016
(1) Sale of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	RMB447,976,479 (equivalent to approximately HK\$553,698,928)	RMB1,247,388,395 (equivalent to approximately HK\$1,541,772,056)	RMB1,405,570,122 (equivalent to approximately HK\$1,737,284,671)
(2) Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	RMB518,326,709 (equivalent to approximately HK\$640,651,812)	RMB1,261,489,369 (equivalent to approximately HK\$1,559,200,860)	RMB1,321,661,349 (equivalent to approximately HK\$1,633,573,427)

#### Basis of the proposed annual caps

The above proposed annual caps are primarily based on the following:

1. the estimated volume of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components required by the Group, by BBA and its subsidiaries and by Shenyang Automotive with reference to the expected market demand for products of BBA and Shenyang Automotive;
2. the designed annual production capacity of the Group and the planned expansion in the production capacity of the Group to produce connection rods; and

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## LETTER FROM THE BOARD

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3. the expected unit prices for the engines, engine parts and components (including the connection rods and the connection rod roughcasts) and raw materials for manufacturing the engines and engine parts and components.

The designed annual production capacities for producing N20 engines and connection rods are approximately 50,000 units and 800,000 units, respectively. The Group plans to expand the designed production capacity for producing connection rods based on the expected demand for connection rods. Based on the estimated demand for the Group's products, the Group estimates that the production capacity utilisation rates for producing N20 engines and connection rods (taking into account the planned production capacity expansion for producing connection rods) will be in the range of 70% to 100% during the period covered by the proposed annual caps. The reason the proposed annual cap for the year ending 31 December 2015 appears to have substantially increased is because the Group will only commence production of the N20 engines in the second half of 2014. Accordingly, the proposed annual cap for the year ending 31 December 2014 is not a whole year figure. In addition, as production stage is only just commencing, it will take some time from a ramp up to full production levels. As such, the Group estimates the utilisation rate of N20 engines production facilities will be relatively low in 2014, and is expected to reach the range discussed above in 2015 and 2016. Based on the discussion among the parties and subject to, among others, changes in market demand for the vehicles with the N20 engines installed, the estimated volume of mutual sales and purchases of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components is generally expected to increase with the production levels during the three years from 2014 to 2016, other than an expected decrease in the volume of connection rods in 2016. The expected unit prices of the N20 engines and the engine parts and components and raw materials for manufacturing the N20 engines and the connection rods will be relatively stable while the expected unit price of connection rods will gradually decrease from 2014 to 2016.

### **Historical transaction amounts**

As the Group has not directly transacted with BBA previously, there are no historical transaction amounts in relation to the sale and purchase of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components and the provision of related services. However, as disclosed in the March Announcement, as an interim arrangement which will cease to have effect after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), Mianyang Xincheng has purchased from BBA (via Huachen) connection rod roughcasts and has sold finished connection rods to BBA (via Huachen) this year. The total amounts recognised by the Group in respect of such sales and purchases for the three months from February to April 2014 are approximately RMB2,419,000 (equivalent to approximately HK\$2,989,884) and approximately RMB7,013,000 (equivalent to approximately HK\$8,668,068), respectively.

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## LETTER FROM THE BOARD

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### Pricing policies

Under the N20 Supply Arrangement, Mianyang Xincheng is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW. Within the next three years, the Group expects to supply the N20 engines to Shenyang Automotive and BBA only. Shenyang Automotive, an indirect non wholly-owned subsidiary of Brilliance China, is authorized by BMW to use the N20 engines in its new premium MPV. In addition, under the Connection Rods Supply Arrangement, the Group will supply to BBA the finished connection rods and other engine parts and components to be used exclusively in the BMW engines.

In connection with the assembly of N20 engines, the Group will purchase exclusively from BBA raw materials and engine parts and components for manufacturing the products to be sold to BBA in order to ensure that the Group will be able to secure a stable and quality supply. BBA will purchase the engine parts and components and raw materials for manufacturing these engines and engine parts and components from its suppliers and then process (if necessary) and on-sell them to Mianyang Xincheng.

The Company adopts a cost plus pricing model in relation to the sales and purchases of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components. The prices for the mutual supplies and purchases between the Group and BBA are negotiated on a holistic and arm's length basis, taking into account each party's overall cost of production and anticipated reasonable profits. The prices for the mutual supplies and purchases will be determined with a view to allowing both parties to sustain a mutually beneficial and stable collaboration. The Group will purchase engine parts and components and raw materials for manufacturing engines and engine parts and components according to projected sales of the N20 engines and the connection rods. The Group will negotiate the prices of the engine parts and components and raw materials for manufacturing the N20 engines and the relevant engine parts and components with BBA based on the expected quantity and specifications of N20 engines and engine parts and components (including the connection rods) to be sold to BBA by the Group in the period. The project directors in charge of the Group's production lines for producing the relevant products and BBA's responsible personnel will communicate on a regular basis to discuss, among other things, the raw material and procurement costs of BBA from its suppliers and its production costs in processing any components before on-sale to the Group (if any), as well as the Group's production costs in assembling the N20 engines and producing connection rods. The Group will price the N20 engines and the engine parts and components (including the connection rods) to be sold to BBA by reference to the raw material costs provided by BBA, production costs to be incurred by the Group and its anticipated reasonable profits. The margin to be charged by the Group is expected

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## LETTER FROM THE BOARD

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to be comparable with the level of profits derived from the sale of gasoline engines to independent third parties in the latest financial year but it may vary depending on factors such as the expected quantity, quality and specifications of the products to be sold and purchased, market competition from other supplier(s) of BBA and strategic collaboration with BBA. In respect of the purchase prices of engine parts and components and raw materials for manufacturing engines and engine parts and components, the Group will assess the reasonableness of the purchase prices of engine parts and components for assembling N20 engines as a proportion of the total production costs, which is expected to be comparable to the historical production costs structure of engines sold by the Group (including engines sold to independent third parties) in the latest financial year. In respect of the assessment of the reasonableness of the purchase prices of connection rod roughcasts and related parts, the Group will make reference to, among others, the market prices of similar products produced in the PRC, the difference in production costs incurred by PRC and overseas suppliers the quality and specification of connection rod roughcasts and related parts to be procured from BBA, the transportation costs and other related transaction costs on an annual basis.

After the Group's project directors obtain the purchase price quotations from BBA, based on the price assessment mechanism discussed above, they will work out the proposed purchase prices and sale prices to be reviewed by the Group's Chief Financial Officer and acknowledged by the Group's Chief Executive Officer. Mianyang Xincheng will then negotiate and determine the final sale prices and purchase prices with BBA on an arm's length basis. As the mutual sales and purchases are negotiated on a holistic basis, both the final sale prices and the purchase prices will be determined at the same time. We generally set the purchase prices of raw materials and sale prices of our products at the beginning of the year and these prices will usually apply throughout the year. Should there be any changes in the costs of production, among others, purchase prices, Mianyang Xincheng will renegotiate the sale prices of the products to be sold to BBA on an arm's length basis.

As the N20 engines employ advance technologies and both the N20 engines and the engine parts and components to be supplied by Mianyang Xincheng to BBA are used exclusively in vehicles approved by BMW, there are very few comparables of these engines and engine parts and components in the PRC and the prices of these comparables are not readily available. Accordingly, Mianyang Xincheng is not in a position to compare the prices of these engines, their parts and components (including the connection rods) and the raw materials for manufacturing the engines and their parts and components against the prevailing market prices in the PRC directly. Also, as the Group will only sell the N20 engines and other engine parts and components (including the connection rods) to BBA and/or Shenyang Automotive which are both connected persons of the Company, prices of comparable products sold to independent third parties are unavailable. The N20 engines will be supplied by the Group to BBA and Shenyang Automotive at similar prices.

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## LETTER FROM THE BOARD

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The consulting and advisory service fee to be charged by BBA, on the other hand, will be primarily determined with reference to the daily chargeable rates of the technical staff involved as set out in the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the time spent on the provision of the technical consulting and advisory services.

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

### **Payment terms**

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

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

Also, Mianyang Xincheng is allowed to settle the purchase cost of raw materials and engines parts and components payable to BBA by setting off the corresponding amount receivable from the sale of connection rods and N20 engines under the N20 Engine Parts Supply Framework Agreement.

### **Prospective transactions with Shenyang Automotive**

As described in the Prospectus, on 25 February 2013, Mianyang Xincheng entered into a sale framework agreement with Brilliance China pursuant to which the Group agreed to sell engines and engine parts and components to the Brilliance China Group for an initial period commencing from the date of Listing until 31 December 2015. As Shenyang Automotive is an indirect non wholly-owned subsidiary of Brilliance China (and thus an associate of Brilliance China and a connected person of the Company), the supply of N20 engines from the Group to Shenyang Automotive will constitute continuing connected transactions under the Listing Rules and will be governed by the terms of that sale framework agreement. A further announcement will be published in due course when Shenyang Automotive and the Group enter into an operational agreement which sets out the particulars of the transactions (such as the price, quantity and payment method).



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE BBA COMPLIANCE AGREEMENT

Reference is made to the May Announcement, the March Announcement, the Company's circular dated 31 December 2013, the Company's announcement dated 25 November 2013 and the Prospectus. As described, pursuant to the N20 Engine Assembly License Agreement entered into among BMW, BBA and Mianyang Xincheng and the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement both entered into between BBA and Mianyang Xincheng, Mianyang Xincheng is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW. As part of this N20 Supply Arrangement, Mianyang Xincheng will procure related engine parts and components from BBA and BBA will provide technical consulting and advisory services to Mianyang Xincheng. At the time of Listing, the proposed collaboration between the parties was at a preliminary stage. As described in the March Announcement, the Company was in the final stages of testing. It is expected that commercial production of the N20 engines will commence in the second half of this year.

Mianyang Xincheng has also acquired a connection rod production line from Huachen. Mianyang Xincheng will purchase connection rod roughcasts and related parts from BBA and sell the finished connection rods to BBA.

Therefore, BBA, the Company and Mianyang Xincheng entered into the BBA Compliance Agreement to supplement the N20 Supply Arrangement and the Connection Rods Supply Arrangement and in anticipation of potential sale and purchase of engine parts and components and raw materials and/or provision of the related services. Immediately after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), the Materials Procurement Agreement between Huachen and Mianyang Xincheng as described in the March Announcement, will cease to have effect.

As BMW Holding B.V., a member of BMW Group which is a global leading automobile manufacturer, is a joint venture partner of Shenyang Jinbei, an indirect wholly-owned subsidiary of Brilliance China, and the market demand of BMW vehicles is growing rapidly, a stable collaboration between Mianyang Xincheng and BBA would help the Company to diversify its revenue stream and improve its management capabilities and levels. The sale of finished connection rods and other engine parts and components to BBA would also help the Company enter into a new market of engine parts and components and broaden its revenue stream.

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## **LETTER FROM THE BOARD**

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### **INFORMATION OF THE PARTIES INVOLVED**

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

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.

### **LISTING RULES REQUIREMENTS**

As at the Latest Practicable Date, Brilliance China, a 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. Mianyang Xinchun, on the other hand is an indirect wholly-owned subsidiary of the Company. Accordingly, the transactions contemplated under the BBA Compliance Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the percentage ratios in respect of the proposed annual caps of the transactions contemplated under the BBA Compliance Agreement are higher than 5% on an annual basis and each proposed annual cap exceeds HK\$10 million, the BBA Compliance Agreement and the proposed annual caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

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 as to whether the terms of the BBA Compliance Agreement are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, 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 as to whether the terms of the BBA Compliance Agreement are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### EGM

The Company will convene the EGM to, among other things, to consider and approve the BBA Compliance Agreement and the transaction contemplated thereunder (including the proposed annual caps). The notice convening the EGM is set out on pages 54 to 55 of this circular. Brilliance China and its associates which held 400,000,000 Shares representing approximately 31.07% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting at the EGM. Save as disclosed, none of the Shareholders have any material interest in the transactions contemplated under the BBA Compliance Agreement and therefore are not required to abstain from voting at the EGM.

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 EGM will demand a poll on the resolution proposed at the EGM. The results of the poll will be published on the websites of the Company and the Stock Exchange on the day of the EGM.

A proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, 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 EGM or adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you wish.

### RECOMMENDATION

Mr. Wu Xiao An, an executive Director, is also the chairman and an executive director of Brilliance China. Mr. Qi Yumin, a non-executive Director, is also a director of Brilliance China and the chairman and president of Huachen (which is a controlling shareholder of Brilliance China and a deemed connected person of the Company under Rule 14.06 of the Listing Rules). As Brilliance China is indirectly interested in 50% of the issued share capital of BBA, BBA is an associate of Brilliance China. Accordingly, Mr. Wu Xiao An and Mr. Qi Yumin had abstained from voting at the Board resolutions in respect of the transactions contemplated under the BBA Compliance Agreement. The Board confirms that except for Mr. Wu Xiao An and Mr. Qi Yumin, none of the other Directors has any material interest in the transactions contemplated under the BBA Compliance Agreement. Accordingly, none of the other Directors, except for Mr. Wu Xiao An and Mr. Qi Yumin, was required to abstain from voting on the Board resolutions in relation to the transactions contemplated under the BBA Compliance Agreement.

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## LETTER FROM THE BOARD

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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. Qi Yumin who had abstained from voting at the Board) are of the view that the transactions contemplated under the BBA Compliance Agreement (including the proposed annual caps) are on normal commercial terms, in the ordinary and usual course of business of the Company 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. Qi Yumin who had abstained from voting at the Board) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM, and (ii) the letter from the Independent Financial Adviser as set out on pages 21 to 44 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders.

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**POWER XINCHEN**

新 晨 动 力

**XINCHEN CHINA POWER HOLDINGS LIMITED**

新 晨 中 國 動 力 控 股 有 限 公 司

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

(Stock Code: 1148)

28 May 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF  
(1) THE SALE AND PURCHASE OF ENGINES, ENGINE PARTS AND  
COMPONENTS AND RAW MATERIALS  
AND  
(2) THE PROVISION OF TECHNICAL CONSULTING AND  
ADVISORY SERVICES**

We refer to the circular issued by the Company to Shareholders dated 28 May 2014 (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 BBA Compliance Agreement and to advise the Independent Shareholders in connection with the BBA Compliance Agreement and the transactions contemplated thereunder (including the proposed annual caps) as to whether, in our opinion, their terms are fair and reasonable so far as the Independent Shareholders are concerned and whether the BBA Compliance Agreement and the transactions contemplated thereunder (including the proposed annual caps) 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 BBA Compliance Agreement and the transactions contemplated thereunder (including the proposed annual caps) to be fair and reasonable so far as the interests of the Independent Shareholders are concerned 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 relevant resolutions to approve the BBA Compliance Agreement and the transactions contemplated thereunder (including the proposed annual caps) in the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee of

**Xinchen China Power Holdings Limited**

**Chi Guohua    Wang Jun    Huang Haibo    Wang Songlin**

*Independent non-executive Directors*

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## LETTER FROM OCTAL CAPITAL

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*The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the incorporation into this circular.*



801-805, 8/F, Nan Fung Tower  
173 Des Voeux Road Central  
Hong Kong

28 May 2014

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF  
(1) THE SALE AND PURCHASE OF ENGINES, ENGINE PARTS AND  
COMPONENTS AND RAW MATERIALS  
AND  
(2) THE PROVISION OF TECHNICAL CONSULTING AND  
ADVISORY SERVICES**

### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the BBA Compliance Agreement, the transaction contemplated thereby and the annual caps in respect of the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group for each of the three years ending 31 December 2016 (the “**Purchase Caps**”) and the annual caps in respect of the sale of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries for each of the three years ending 31 December 2016 (the “**Supply Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the shareholders (the “**Shareholders**”) of the Company dated 28 May 2014 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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## LETTER FROM OCTAL CAPITAL

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On 12 December 2012, (i) BMW, BBA and Mianyang Xinchun entered into the N20 Engine Assembly License Agreement; and (ii) BBA and Mianyang Xinchun entered into the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement, pursuant to which Mianyang Xinchun is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW (the “**N20 Supply Arrangement**”). As part of the N20 Supply Arrangement, Mianyang Xinchun will procure related engine parts and components from BBA and BBA will provide technical consulting and advisory services to Mianyang Xinchun. At the time of Listing, the proposed collaboration between the parties was at a preliminary stage. As described in the March Announcement, the Company was in the final stages of testing. It is expected that commercial production of the N20 engines will commence in the second half of this year. Mianyang Xinchun has also acquired a connection rod production line from Huachen. Mianyang Xinchun will purchase connection rod roughcasts and related parts from BBA and sell the finished connection rods to BBA (the “**Connection Rods Supply Arrangement**”). To supplement the N20 Supply Arrangement and the Connection Rods Supply Arrangement and in anticipation of potential sale and purchase of engine parts and components and raw materials and/or provision of the related services, on 23 May 2014, BBA, the Company and Mianyang Xinchun entered into the BBA Compliance Agreement. Immediately after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), the Materials Procurement Agreement entered into between Huachen and Mianyang Xinchun as described in the March Announcement will cease to have effect.

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. Mianyang Xinchun, on the other hand is an indirect wholly-owned subsidiary of the Company. Accordingly, the transactions contemplated under the BBA Compliance Agreement (the “**Continuing Connected Transactions**”) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the percentage ratios in respect of the Purchase Caps and the Supply Caps of the transactions contemplated under the BBA Compliance Agreement are higher than 5% on an annual basis and each of the Purchase Caps and the Supply Caps exceeds HK\$10 million, the BBA Compliance Agreement, the Continuing Connected Transactions, the Purchase Caps and the Supply Caps are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM OCTAL CAPITAL

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In view of the foregoing, the Company will seek to obtain the approval of the Independent Shareholders on the Continuing Connected Transactions, the Purchase Caps and the Supply Caps at the EGM. At the EGM, Brilliance China and its associates are required to abstain from voting on the resolutions in relation to the BBA Compliance Agreement, the Continuing Connected Transactions, the Purchase Caps and the Supply Caps. In addition, the Independent Board Committee has been established to advise the Independent Shareholders on whether the terms of the BBA Compliance Agreement, the Continuing Connected Transactions, the Purchase Caps and the Supply Caps are on normal commercial terms and fair and reasonable and whether the BBA Compliance Agreement, the Continuing Connected Transactions, the Purchase Caps and the Supply Caps are in the interests of the Company and the Shareholders as a whole. In this regard, Octal Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the Group, BBA, Brilliance China or their respective associates and do 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 as at the Latest Practicable Date, 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 (the “**Previous Engagement**”) in respect of a discloseable and connected transaction (for details please refer to the circular of the Company dated 31 December 2013). Under the Previous Engagement, we were required to express our opinion on and give recommendation to the Independent Board Committee and Independent Shareholders in respect of the relevant transaction. Apart from normal professional fees payable to us by the Company in connection with the Previous Engagement and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or BBA or Brilliance China or the directors, chief executive and substantial shareholders of the Company or BBA or Brilliance China or any of their subsidiaries or their respective associates.

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## LETTER FROM OCTAL CAPITAL

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

### THE CONTINUING CONNECTED TRANSACTIONS

#### Principal factors and reasons considered

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

**1. *Background of and reasons for entering into the Continuing Connected Transactions***

The Group is principally engaged in the manufacture of automotive engines of the passenger vehicles and light commercial vehicles; and the development, manufacture and sale of light-duty gasoline and diesel engines. As set out in the prospectus of the Company dated 28 February 2013, on 12 December 2012, the Group entered into the N20 Engine Assembly License Agreement, the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement with BMW and/or BBA, pursuant to which BMW authorized the Group to assemble a specific engine model primarily for supply to BBA, Shenyang Automotive (a subsidiary of Brilliance China) for installation into a model of vehicle of Shenyang Automotive under another agreement between Shenyang Automotive and the Company and other vehicle manufacturers approved by BMW. Pursuant to the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the N20 Engine Parts Supply Framework Agreement, the Group agreed to procure related engine parts and components from BBA and BBA agreed to provide

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## LETTER FROM OCTAL CAPITAL

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technical consulting and advisory services to the Group. The Group has recently entered into the final stages prior to the commencement of production. On 16 January 2014, the Company obtained the Independent Shareholders' approval for the acquisition (the "**Acquisition**") of, among other things, a connection rod production line in E2 factory (the "**Production Line**") from Huachen and the Production Line has been operated by the Group thereafter. As advised by the Company, the main products of the Production Line are connection rods applicable to the engines of the BMW vehicles to be supplied by BBA.

As set out in the Letter from the Board, since BMW, a global leading automobile manufacturer, is a joint venture partner of Shenyang Jinbei and the market demand of BMW vehicles is growing rapidly, a stable collaboration between Mianyang Xinchun and BBA would help the Company to diversify its revenue stream and improve its management capabilities and levels. The sale of connection rods to BBA would also help the Company entering into business with BBA by supplying new engine parts and components to broaden its revenue stream. In light of the abovementioned benefit, on 23 May 2014, Mianyang Xinchun and BBA entered into the BBA Compliance Agreement pursuant to which the Group and BBA and its subsidiaries will conduct the following transactions:–

- (i) the Group will sell to BBA or its subsidiaries and BBA or its subsidiaries will purchase from the Group engines, engine parts and components (including the connection rods) and raw materials for manufacturing engines and engine parts and components from time to time;
- (ii) BBA or its subsidiaries will sell to the Group and the Group will purchase from BBA or its subsidiaries engine parts and components (including the connection rod roughcasts) and raw materials for manufacturing engines and engine parts and components from time to time; and
- (iii) BBA or its subsidiaries will provide to the Group consulting and advisory services relating to engines or engine parts and components from time to time.

Immediately after the BBA Compliance Agreement becomes effective or on 31 May 2014 (whichever is earlier), the Materials Procurement Agreement between Huachen and Mianyang Xinchun as described in the March Announcement will cease to have effect.

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## LETTER FROM OCTAL CAPITAL

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Upon the satisfaction of the Conditions, the BBA Compliance Agreement will be in effect for three (3) years from the effective date of the BBA Compliance Agreement (inclusive of the first day and the last day of the term) unless it is terminated before the expiration of the term by any party serving at least three (3) months' prior written notice to the other parties. Subject to compliance with the requirements of the Listing Rules (including the independent shareholders' approval requirement), upon the expiration of the initial three-year term, the BBA Compliance Agreement will be automatically renewed for successive periods of three (3) years.

As advised by the Company, due to the BMW's control on confidentiality of its core production technologies and assurance on stable and quality supply, the Company is required to source vehicle parts and components (such as connection rod roughcasts and engine parts and components) exclusively from BBA for its onward processing and assembly and then sell the connection rods and N20 engines back to BBA. We also noted from the N20 Engine Parts Supply Framework Agreement that the Company should refrain from manufacturing, purchasing or procuring parts and components for N20 engines from any party except BBA unless consented by BBA in writing in advance or pursuant to the rights to procure and assemble the parts and components for N20 engines in the PRC conferred by the N20 Engine Assembly License Agreement. On the other hand, we noted that the expected transaction amount relating to the supply of connection rods and N20 engines (which will be made of the parts and components to be sourced from BBA pursuant to the BBA Compliance Agreement) to BBA, i.e. the Supply Cap, for the financial year ending 31 December 2014 is equal to roughly one-fifth of the revenue of the Group for the financial year ended 31 December 2013 as set out in the relevant annual report of the Company for and the Supply Caps are expected to increase as (i) the total sales amount of connection rods and N20 engines to BBA is expected to increase for the two years ending 31 December 2016; and (ii) the Group is planning to supply N20 engines (which will be made of parts and components to be sourced from BBA pursuant to the BBA Compliance Agreement) to Shenyang Automotive under other continuing connected transactions. Based on the abovementioned, it is expected that the Continuing Connected Transactions under the BBA Compliance Agreement will provide additional revenue to the Group.

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## LETTER FROM OCTAL CAPITAL

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As part of our due diligence, we have visited the websites of BMW and noted that BMW is one of Germany's largest industrial companies engaging in the manufacture of cars and motorcycles and has been engaging in such business for over 80 years. Currently, BMW has launched various types of vehicle under the brand BMW, MINI and Rolls-Royces. In 2003, BMW and Brilliance China established the joint venture company, namely BBA, based in Shenyang province for the production and sales of vehicles and extension of BMW's international presence. According to the information published by BMW, the sale of vehicles under the brand BMW in the PRC has shown a significant growth from approximately 24,000 units in 2005 to approximately 362,100 units in 2013 and the PRC was the largest market of BMW, in terms of unit sold, in 2013.

As advised by the Company, the connection rods and N20 engines will be mainly applied to the sedans of BMW. As such, we have reviewed the result announcement of Brilliance China for the financial year ended 31 December 2013 and noted that BBA has achieved sales of 206,729 BMW vehicles, representing an increase of approximately 28.5% as compared to that for the year ended 31 December 2012. Based on the above, we consider that market demand of BMW vehicles is growing rapidly and it may drive the demand of connection rods and N20 engines to be supplied by the Company.

We also noted that the Company will purchase extra quantities of parts and components of N20 engines from BBA for its onward processing, assembly and then sell the N20 engines to Shenyang Automotive for installation in its vehicles under new premium MPV model. As advised by the Company, supply of N20 engines to Shenyang Automotive will facilitate the business relationship between the Company and Brilliance China as well as to enhance the revenue stream of the Company. Therefore, there is a need for the Company to purchase N20 Packs from BBA and carry out the Continuing Connected Transactions.

According to China Association of Automobile Manufacturers (中國汽車工業協會<sup>1</sup>), the unit sales of sedans in the PRC have been increasing from approximately 10.1 million in 2011 to approximately 10.7 million in 2012 and further increased to approximately 12.0 million in 2013. In particular, we noted that the sales of German sedan in the PRC grew by approximately 16% during both 2012 and 2013 which is higher than the annual growth rate of total sales of sedan in the PRC. Therefore, we consider that the demand of sedans, in particular German sedans, in the PRC remains strong.

<sup>1</sup> *China Association of Automobile Manufacturers (中國汽車工業協會) of the PRC is a non-profit making social organization established to facilitate the interactions between the PRC government and market participants in the automobile industry and protect and promote the automobile industry in the PRC and an independent third party not connected with the substantial shareholders, chief executive and directors of the Company.*

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## LETTER FROM OCTAL CAPITAL

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Based on the above, in particular, the rationale of (i) the entering into business with BBA by supplying new engine parts and components which can diversify the revenue stream of the Group through supplying connection rods to BBA; and (ii) the improvement on the management capabilities and levels of the Group, we consider that there is commercial rationale for the Company to enter into the BBA Compliance Agreement.

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

Pursuant to the BBA Compliance Agreement, engines, engine parts and components (including the connection rod roughcasts and connection rods), raw materials for manufacturing engines and engine parts and components will be transacted and consulting and advisory services relating to engines or engine parts and components will be provided between the Group and BBA or its subsidiaries from time to time. The BBA Compliance Agreement was entered for a term of three years commencing from the date on which all the Conditions have been satisfied (including the first day and the last day of the term) unless terminated earlier by at least three months' prior written notice by either party.

The parties may enter into separate operational agreements and purchase orders from time to time which contain particulars pertaining to the sale and purchase of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components and the provision of related consulting and advisory services (including provisions relating to the price, quantity, quality and payment method). The terms of these operational agreements and purchase orders must be consistent with and subject to the terms of the BBA Compliance Agreement, on normal commercial terms and on an arm's length basis. All the operational agreements and purchase orders in relation to the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components from BBA to the Group will be required to comply with the global procurement guidelines of BMW which apply to its independent suppliers on a worldwide basis.

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

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## LETTER FROM OCTAL CAPITAL

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purchase cost of raw materials and engines parts and components payable to BBA by setting off the corresponding amount receivable from the sale of connection rods and N20 engines pursuant to the N20 Engines Parts Supply Framework Agreement (as supplemented by the BBA Compliance Agreement). We consider that such settlement method is favourable to the Company as it provides flexibility to the Group in the allocation of working capital towards other operation.

Based on the information provided by the Company, we summarise in the following table the (i) the historical transaction amount for the three months from February to April 2014 (as the Acquisition was completed in January 2014); and (ii) the expected transaction amount for each of the three financial years ending 31 December 2016, in respect of engines, engine parts and components (including the connection rods), raw materials for manufacturing engines and engine parts and components.

<b>Continuing Connected Transactions</b>	<b>For the financial year ending 31 December</b>		
	<b>2014</b> <i>(RMB'000)</i>	<b>2015</b> <i>(RMB'000)</i>	<b>2016</b> <i>(RMB'000)</i>
<b>I. Purchases by the Group</b>			
Sale of engine parts and components and raw materials for manufacturing engine parts and components and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	51,432 (7,013) <sup>†</sup>	63,040	50,690
Sale of engine parts and components and raw materials for manufacturing engines and the provision of the related consulting and advisory services by BBA or its subsidiaries to the Group	355,819	1,070,949	1,227,100
<b>Purchase Caps (after taking into a buffer)</b>	447,976 <i>(equivalent to approximately HK\$553,698,928)</i>	1,247,388 <i>(equivalent to approximately HK\$1,541,772,056)</i>	1,405,570 <i>(equivalent to approximately HK\$1,737,284,671)</i>

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## LETTER FROM OCTAL CAPITAL

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Continuing Connected Transactions	For the financial year ending 31 December		
	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>II. Supply by the Group</b>			
Sale of engine parts and components and raw materials for manufacturing engines and engine parts and components by the Group to BBA or its subsidiaries	232,006 (2,419) <sup>†</sup>	249,809	155,010
Sale of engines by the Group to BBA or its subsidiaries	239,200	897,000	1,046,500
<b>Supply Caps <i>(after taking into a buffer)</i></b>	518,327 <i>(equivalent to approximately HK\$640,651,812)</i>	1,261,489 <i>(equivalent to approximately HK\$1,559,200,860)</i>	1,321,661 <i>(equivalent to approximately HK\$1,633,573,427)</i>

<sup>†</sup> *being the historical transaction amount recognized by the Group in respect of the purchase of engine parts and components and raw materials for manufacturing engine parts and components from Huachen and the sale of connection rods to Huachen for the three months from February to April 2014 after the completion of the Acquisition in January 2014.*

The Purchase Caps and the Supply Caps for each of the three years ending 31 December 2016 were determined by the Directors by reference to the followings:-

- (i) the estimated volume of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components required by the Group, by BBA and its subsidiaries and by Shenyang Automotive with reference to the expected market demand for products of BBA and Shenyang Automotive;
- (ii) the designed annual production capacity of the Group and the planned expansion in the production capacity of the Group to produce connection rods; and
- (iii) the expected unit prices for the engines, engine parts and components (including the connection rods) and raw materials for manufacturing the engines and engine parts and components.



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## LETTER FROM OCTAL CAPITAL

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As regards the Purchase Caps to be sought for the three years ending 31 December 2016 of approximately RMB448.0 million, RMB1,247.4 million and RMB1,405.6 million respectively, we have obtained from the Company a list of estimated purchases of connection rod roughcasts and related parts and parts and components of N20 engine summing roughly up to the Purchase Caps. We understand from the Directors that such list of estimates was prepared on the basis of multiplying (i) the expected quantity of connection rod roughcasts and related parts and parts and components of N20 engine to be purchased from BBA for the three financial years ending 31 December 2016; (ii) the estimated unit price of connection rod roughcasts and related parts and parts and components of N20 engine; and (iii) the buffer catering for the fluctuation in foreign exchange rate and uncertainty of change in transaction volume, unit purchase cost and type of products to be transacted. Regarding the Supply Caps to be sought for the three years ending 31 December 2016 of approximately RMB518.3 million, RMB1,261.5 million and RMB1,321.7 million respectively, we have obtained from the Company a list of estimated supply of connection rods and N20 engines summing roughly up to the Supply Caps. We understand from the Directors that such list of estimates was prepared on the basis of multiplying (i) the expected quantity of connection rods and N20 engines to be required by BBA for the three financial years ending 31 December 2016; (ii) the estimated unit prices of connection rods and N20 engines; and (iii) the buffer catering for the fluctuation in foreign exchange rate and uncertainty of change in transaction volume, unit selling price and type of products to be transacted.

In order to assess the fairness and reasonableness of the estimated quantities and estimated prices of the Continuing Connected Transactions, we have performed the following analysis.

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## LETTER FROM OCTAL CAPITAL

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### *I. Regarding the estimated quantity of the transactions*

#### Connection rod roughcasts and connection rods

As advised by the Company, the expected quantity of the connection rod roughcasts and related parts to be purchased from BBA by the Company is determined based on the number of connection rods that BBA will demand from the Company for the three financial years ending 31 December 2016. As these connection rods are one of the key components for engines and will be exclusively assembled to the N20 engines that will be installed in the vehicles of BBA and the new premium MPV of Shenyang Automotive, we have enquired the Company and were advised by the Company the demand of connection rods for the three years ending 31 December 2016 will be derived from the expected demand for the relevant vehicles of BBA and Shenyang Automotive (with N20 engines installed). We were further advised by the Company that the connection rod roughcast is the forged part and is subject to further processes such as piercing, trimming and assembly before being ready to be used in engines, and each connection rod roughcast will be processed to one finished connection rod. We noted that the demand of connection rods by BBA is the same as the total quantities of connection rod roughcasts to be purchased from BBA by the Company, except that the Group will require additional connection rod roughcasts from BBA. As advised by the Company, such additional purchase will be mainly for (i) maintaining inventory with reference to lead time of supply products; and (ii) replacement of the worn roughcasts during processing for each of the three years ending 31 December 2016. We understand from the Company that the extra quantity of connection rod roughcasts (for worn parts replacement) for each of the three years ending 31 December 2016 is determined with reference to historical operational record during the testing stage.

We noted from the abovementioned demand of connection rods of BBA that there will be an increase in supply of connection rods for the financial year ending 31 December 2015 as compared with 2014. We were advised by the Company that such demand of connection rods is based on the production plan of BBA and Shenyang Automotive after taking into account the expected increase in the existing annual production capacity of the Company of around 800,000 units and the planned expansion in production capacity to accommodate the expected demand of connection rods. We noted that the expected demand of connection rods for N20 engines by BBA for the financial year ending 31 December 2016 will decrease by approximately 19.6% as compared with that for the financial year ending 31 December 2015. As advised

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## LETTER FROM OCTAL CAPITAL

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by the Company, such decrease in demand of connection rods is primarily due to the expectation of BBA that the target sale of vehicles (with N20 engines installed) will decrease in similar magnitude in 2016 as N20 engines will be replaced by a new engine model of BMW. Therefore, we consider that the expected sale quantity of connection rods under the Continuing Connected Transactions, which corresponds to the projected drop in sale quantity of vehicle, is acceptable. In addition, we were advised by the Company that, under the estimated utilisation rate, the existing annual capacity of around 800,000 units, together with planned expansion in production capacity to accommodate the expected demand of connection rods, in respect of its processing of connection rod roughcast will be sufficient to meet the demand of BBA for the three financial years ending 31 December 2016.

### Parts and components of N20 engines and N20 engines

Regarding the estimated quantity of engine parts and components to be purchased by the Company from BBA, we were advised by the Company that such parts and components of N20 engine (basically including connection rods supplied by the Group which will be assembled with other engine parts and components from other suppliers) will be sold to the Company in packs and each pack of parts and components (the “**N20 Pack**”) comprises all parts and components necessary for the Company to process and assembly a N20 engine. As advised by the Company, the N20 engines will be installed in the vehicles of BBA and the new premium MPV of Shenyang Automotive. We have visited the website of Shenyang Automotive and noted that Shenyang Automotive is planning to develop a new premium MPV which will be equipped with a new engine to be manufactured under BMW’s authorisation, i.e. N20 engine, which is expected to be launched at the end of 2014. We have also enquired of the Company as to the expected demand of N20 engines for the three years ending 31 December 2016 to meet the target vehicle production volume of BBA and Shenyang Automotive. We noted that the demand of N20 engines under the aforesaid target production volume of BBA and Shenyang Automotive for each of the three years ending 31 December 2016 respectively is roughly the same as the total quantities of N20 Packs to be purchased from BBA by the Company during the respective years and the Group will require certain additional quantity of N20 Packs from BBA as buffer stock. As such, we have summed up the total quantity of N20 Packs to be purchased during the three financial years ending 31 December 2016 and noted that it is roughly the same as the quantity of N20 engines intended to be purchased by BBA for its vehicles pursuant to the N20 Engine Parts Supply Framework Agreement plus the expected demand of N20 engines by Shenyang Automotive.

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## LETTER FROM OCTAL CAPITAL

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As advised by the Company, this is the first time for the Company to process and assemble vehicle parts and components for BBA. In addition, since the commercial production is expected to be commenced in the second half of 2014 and time is required for trial-run and calibration, the Company expects to take some time from a ramp up to full production levels (which are expected to be achieved in 2015). Thus, the utilisation rate in 2014 is expected to be relatively lower as compared to the designed production capacity and the corresponding transaction quantity of N20 Packs and N20 engines are expected to be around one-fourth to one-third of those during the year ending 31 December 2015. Based on the discussion among the parties and subject to, among others, change in market demand for the vehicles of BMW and Shenyang Automotive with the N20 engines installed, the estimated volume of mutual sales and purchases of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components is generally expected to increase with the production levels during the three years from 2014 to 2016. As the N20 engines are expected to be replaced gradually by a new engine model of BMW in the coming years, the transaction quantities of N20 Packs and N20 engines are expected to experience a moderate growth during the year ending 31 December 2016. We were advised by the Company that the annual capacity in respect of its assembly of N20 engines is around 50,000 units which will be sufficient to meet the demand of BBA and Shenyang Automotive for the three financial years ending 31 December 2016. Based on the target production plan of BBA and Shenyang Automotive and the annual processing and assembly capacity provided by the Company, we consider that the expected transaction quantities of N20 Packs and N20 engines are fair and reasonable.

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

#### Connection rod roughcasts, connection rods, parts and components of N20 engines and N20 engines

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

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## LETTER FROM OCTAL CAPITAL

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Under the N20 Supply Arrangement, Mianyang Xincheng is authorized to assemble the N20 engines to be supplied to Shenyang Automotive, BBA and other vehicle manufacturers approved by BMW. Within the next three years, the Group expects to supply the N20 engines to Shenyang Automotive and BBA only. Shenyang Automotive, an indirect non-wholly owned subsidiary of Brilliance China is authorized by BMW to use the N20 engines in its new premium MPV. In addition, under the Connection Rods Supply Arrangement, the Group will supply to BBA the finished connection rods and other engine parts and components to be used exclusively in the BMW engines.

In connection with the assembly of N20 engines, the Group will purchase exclusively from BBA raw materials and engine parts and components for manufacturing the products to be sold to BBA in order to ensure that the Group will be able to secure a stable and quality supply. BBA will purchase the engine parts and components and raw materials for manufacturing these engines and engine parts and components from its suppliers and then process (if necessary) and on-sell them to Mianyang Xincheng. The Company adopts a cost plus pricing model in relation to the sales and purchases of engines, engine parts and components and raw materials for manufacturing engines and engine parts and components. The margin to be charged by the Group is expected to be comparable with the level of profits derived from the sale of gasoline engines to independent third parties in the latest financial year but it may vary depending on factors such as the expected quantity, quality and specifications of the products to be sold and purchased, market competition from other supplier(s) of BBA and strategic collaboration with BBA.

In respect of the purchase prices of engine parts and components and raw materials for manufacturing engines and engine parts and components, the Group will assess the reasonableness of the purchase prices of engine parts and components for assembling N20 engines as a proportion of the total production costs, which is expected to be comparable to the historical production costs structure of engines sold by the Group (including engines sold to independent third parties) in the latest financial year. In respect of the assessment of the reasonableness of the purchase prices of connection rod roughcasts and related parts, the Group will make reference to, among others, the market prices of similar products produced in the PRC, the difference in production costs incurred by PRC and overseas suppliers, the quality and specification of connection rod roughcasts and related parts to be procured from BBA, the transportation costs and other related transaction costs on annual basis.

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## LETTER FROM OCTAL CAPITAL

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After the Group's project directors obtain the purchase price quotations from BBA, based on the price assessment mechanism discussed above, they will work out the proposed purchase prices and sale prices to be reviewed by the Group's Chief Financial Officer and acknowledged by the Group's Chief Executive Officer. Mianyang Xincheng will then negotiate and determine the final sale prices and purchase prices with BBA on an arm's length basis. As the mutual sales and purchases are negotiated on a holistic basis, both the final sale prices and the purchase prices will be determined at the same time. The Group generally sets the purchase prices of raw materials and sale prices of products at the beginning of the year and these prices will usually apply throughout the year. Should there be any changes in the costs of production, among others, purchase prices, Mianyang Xincheng will renegotiate the sale prices of the products to be sold to BBA on an arm's length basis. Also, as the Group will only sell the N20 engines and other engine parts and components (including the connection rods) to BBA and/or Shenyang Automotive, which are both connected persons of the Company, prices of comparable products sold to independent third parties are unavailable. The N20 engines will be supplied by the Group to BBA and Shenyang Automotive at similar prices.

As set out in the Letter from the Board, the prices for the mutual supplies and purchases between the Group and BBA are negotiated on a holistic and arm's length basis, taking into account each party's overall cost of production and anticipated reasonable profits. The prices for the mutual supplies and purchases will be determined with a view to allowing both parties to sustain a mutually beneficial and stable collaboration. The Group will purchase engine parts and components and raw materials for manufacturing engines and engine parts and components according to projected sales of the N20 engines and connection rods. The Group will negotiate prices of the engine parts and components and raw materials for manufacturing the N20 engines and engine parts and components with BBA based on the expected quantity and specifications of N20 engines and engine parts and components (including the connection rods) to be sold to BBA by the Group in the period. The project directors in charge of the Group's production lines for producing the relevant products and BBA's responsible personnel will communicate on a regular basis to discuss, among other things, the raw material and procurement costs of BBA from its suppliers, and its production costs in processing any components before on-sale to the Group (if any), as well as the Group's production costs in assembling the N20 engines and producing connection rods. The Group will price the N20 engines and the engine parts and components (including the connection rods) to be sold to BBA by reference to the raw material costs provided by BBA, production costs to be incurred by the Group and its anticipated reasonable profits.

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## LETTER FROM OCTAL CAPITAL

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Regarding the unit purchase price of N20 Pack, we have enquired the Company as to the expected production costs for assembly and processing a N20 Pack to a N20 engine and obtained the breakdown of total production cost incurred for producing all engines by the Group during the year ended 31 December 2013. We have also reviewed the prospectus of the Company dated 28 February 2013 in respect of the percentage of cost of materials (including engine components) over the total production costs for the past few years and noted that such percentage has been around 90% and we note that the relevant percentage for 2013 is consistent with such trend. Upon comparison of cost of materials for engines produced in the past few years and the N20 engines, we noted that the percentage represented by the unit purchase price of the N20 Pack over the relevant production costs is comparable to that for engines produced by the Group during the past few years and we consider it is an appropriate proxy to assess the fairness and reasonableness of the relevant purchase cost.

On the other hand, regarding the unit purchase price of connection rod roughcast, we were advised by the Company that it is impracticable for the Company to obtain overseas third party quotations of connection rod roughcasts with the same quality and specification in view that the Company has been sourcing engine components in the PRC. The Company is identifying new suppliers to supply connection rod roughcasts for its new engine model which will employ more advanced technology and has obtained two quotations from local suppliers. We have obtained and reviewed two price quotations in relation to the purchase of connection rod roughcasts for the production of connection rods for the new engine model. We were advised by the Company that the quality and specification of such connection rod roughcast and related parts are better than those of the existing engine models of the Group and thus it is more meaningful to compare the relevant quotations to those of the connection rod roughcasts for the N20 engines to be supplied by BBA. We noted that the unit prices of connection rod roughcast set out in the quotations (after taking into account the labour cost, transportation cost and other relevant production cost as estimated by the Company) are comparable to expected unit purchase price of connection rod roughcast to be supplied by BBA.

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## LETTER FROM OCTAL CAPITAL

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Moreover, in light of the fact that the Company has not yet transacted the N20 Pack and N20 engine, we have obtained the expected purchase price of N20 Pack, the expected selling price of N20 engine and the relevant estimated processing and assembly cost for each of the three years ending 31 December 2016. In view that the N20 engine runs on gasoline, we have compared the expected gross profit per unit of N20 engine to the gross profit of gasoline engines of the Group sold to independent third parties. Upon comparison, we note that the gross profit per unit of N20 engine is comparable to the gross profit per unit of gasoline engine sold by the Group to independent third parties during the year ended 31 December 2013. Since the Company has purchased connection rod roughcasts and related parts from BBA (via Huachen) and supplied the connection rods to BBA (via Huachen) between February and April 2014, we have obtained, on sample basis, the invoices of the historical transaction of connection rod roughcasts and connection rods in 2014 and the relevant actual cost breakdown. We noted that the pricing of connection rods was determined according to the aforesaid cost-plus basis. Since the connection rods for N20 engines are new products of the Group, we were advised by the Company that there is no sales information available for comparison on the profit level of connection rods. As such, price of connection rods will be determined by the Company with reference to the level of profits derived from the sale of gasoline engines to independent third parties. We have calculated the average gross profit margin of gasoline engines sold by the Group to independent third parties and noted that it is comparable to the gross profit margin of connection rod under the historical transactions.

The consulting and advisory service fee to be charged by BBA, on the other hand, will be primarily determined with reference to the daily chargeable rates of the technical staff involved as set out in the N20 Engine Technical Consulting and Advisory Service Framework Agreement and the time spent on the provision of the technical consulting and advisory services. We note that the daily chargeable rates of technical staff are determined with reference to grade of staff (such as consultant, manager or lower-level employee). As advised by the Company, the technical consulting and advisory service in relation to N20 assembly business will be provided by BBA to the Group on on-need basis. This arrangement forms part of the N20 assembly business and its transaction amounts would be considered to be relatively small comparing to the Purchase Caps and the Supply Caps as a whole.



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## LETTER FROM OCTAL CAPITAL

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We note from the Group's list of estimated purchases that the unit purchase prices of connection rod roughcast and N20 Pack are expected to remain at the same level during the three financial years ending 31 December 2016. Since the connection rod roughcasts will be purchased by the Company from BBA pursuant to the BBA Compliance Agreement for its onward processing and selling back to BBA whereas the N20 Packs will be purchased by the Company from BBA for its onward assembly and selling to BBA and Shenyang Automotive, the selling prices of connection rods and N20 engines will be determined after taking into account the purchase cost of relevant parts and components, the processing cost and reasonable profit. Thus, we consider that the unit purchase costs of connection rod roughcasts and N20 Packs do not have any significant meaning if the relevant purchases and sales between BBA and the Group are taken into account as a whole. On the other hand, pursuant to the N20 Engine Parts Supply Framework Agreement (as supplemented by the BBA Compliance Agreement), the Company is allowed to settle the purchase cost of the N20 Packs payable to BBA with the corresponding amount receivables from the Company's supply of N20 engines and connection rods to BBA which provides a flexibility to the Company to maintain its liquidity.

Since the N20 engines employ advance technologies and both the N20 engines and the engine parts and components to be supplied by Mianyang Xincheng to BBA are used exclusively in vehicles approved by BMW, there are very few comparables of these engines and engine parts and components in the PRC and the prices of these comparables are not readily available. As advised by the Company, the outside sourcing of engines for BBA's vehicles in the PRC region is only through the Company insofar. Accordingly, Mianyang Xincheng is not in a position to compare the prices of these engines, parts and components (including the connection rods) and the raw materials for manufacturing the engines and their parts and components against the prevailing market prices in the PRC directly. However, as all the operational agreements and purchase orders in relation to the sale of engine parts and components and raw materials for manufacturing engines and engine parts and components from BBA to the Group will be subject to the global procurement guidelines of BMW which apply to its independent suppliers on a worldwide basis, we concur with the view of the Directors that the terms of these operational agreements and purchase orders are on normal commercial terms and in the interests of the Company and Shareholders as a whole.

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## LETTER FROM OCTAL CAPITAL

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As set out in the Letter from the Board, the Group has not directly transacted with BBA previously and there are no historical transaction amounts in relation to the sales and purchases of engines, engine parts and components and raw materials for manufacturing the engines and engine parts and components and the provision of related services. However, as set out in the table above, after the completion of the Acquisition in January 2014, the Group purchased connection rod roughcasts and related parts from BBA (via Huachen) for its onward processing and supplying connection rods to BBA (via Huachen) during the three months from February to April 2014. We have reviewed the prices of connection rod roughcasts and related parts and connection rods and we noted that the purchase price is roughly the same as the expected average unit purchase price for the three years ending 31 December 2016. We also note that the average unit selling price of the connection rods is expected to decrease during the three financial years ending 31 December 2016. As advised by the Company, the downward movement of expected prices of connection rods is generally in line with product life cycle of parts and components. In order to maintain competitiveness among other suppliers of BBA, the Company intends to reduce the average unit selling price of parts and components for N20 engines. As further advised by the Company, relevant processing costs, such as labour cost and overhead, usually decrease due to the accumulated experience of staff in the course of operation, better utilisation of resources and economies of scale. As a result, the gross profit margin of connection rods is expected to decrease during the three years ending 31 December 2016. We have obtained and reviewed the sales information of the Group's engines for the three years ended 31 December 2013 and noted that the average selling price as well as the gross profit margin of the Group's engines have been decreasing in general.

Regarding the average unit selling price of N20 engines, we were advised by the Company that the average unit selling price is assumed to be stable based on the discussion between the Group and BBA. With gradual decrease in unit costs as a result of increase of production volume, the Company expects that the gross profit margin of N20 engines will increase mildly during the three years ending 31 December 2016.

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## LETTER FROM OCTAL CAPITAL

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As part of our due diligence, we have obtained the cost estimation in relation to the processing/assembly of connection rods and N20 engines for the three years ending 31 December 2016. We note that the mild increase in gross profit margin of N20 engines is mainly due to the stable unit selling price of N20 engine and expected decrease in unit assembly cost (such as labour cost, depreciation and overheads) as the processing/assembly volume increases. On the other hand, the decrease in gross profit margin of connection rods is mainly due to the decrease in unit selling price of connection rods. Although the gross profit margin of the connection rods is expected to decrease during the three years ending 31 December 2016, we note that it is still within the range of gross profit margin of the Group's products during the year ended 31 December 2013 and the sale of connection rods is expected to be profitable based on the cost estimation for the three years ending 31 December 2016 provided by the Company.

As advised by the Company, the Continuing Connected Transactions are the milestone of the Company to strategically cooperate with BBA to expand the PRC automobile market and such cooperation is expected to enhance the reputation and industry recognition of the Group. Furthermore, the supply of N20 engines and relevant connection rods is expected to improve the management capabilities and levels of the Group and to increase the revenue of the Group in view of the large transaction volume. In light of the abovementioned, we consider that the estimated levels of unit selling price of N20 engines and relevant connection rods for the three financial years ending 31 December 2016 are acceptable.

We noted that the Company has also taken into account a buffer of 10% of the expected transaction amounts under the Continuing Connected Transactions in determining the amount of the Purchase Caps and the Supply Caps. As advised by the Company, the purposes for including the buffer are to cater for the fluctuation in foreign exchange rate and uncertainty of change in transaction volume, transaction price and type of products to be transacted. We were also advised by the Company that raw materials of automotive parts and components of BBA are normally imported from Europe therefore their price are subject to the fluctuation in the exchange rate between Renminbi and Euro Dollar. As such, we have reviewed the currency exchange rate published by the People's Bank of China and noted that Renminbi has been appreciating against Euro Dollars at a compound annual growth rate of approximately 1% since 2011. On the other hand, as labour cost is one of the key factors affecting

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## LETTER FROM OCTAL CAPITAL

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both purchase cost of N20 Packs and connection rod roughcast and the selling price of N20 engines and connection rods, we have reviewed the latest available statistics on the website National Bureau of Statistics of China and noted that the average salary per person in manufacturing industry has been increasing over the past few years. In addition, the Group will require certain technical consulting and advisory service by BBA relating to engines or engine parts and components such as employee training and support services in relation to the installation and assembly of N20 engines. Since the aforesaid services will only be provided on on-need basis and difficult to quantify, the Company has taken into accounts of such services when determining the buffer. Therefore, we consider that the 10% buffer is acceptable.

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

### **3. The conditions**

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

The Company will therefore seek the approval by the Independent Shareholders of the Continuing Connected Transactions and the Purchase Caps and the Supply Caps subject to the following conditions:

1. The Continuing Connected Transactions will be:
  - (i) entered into by the Group in the ordinary and usual course of its business;
  - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

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## LETTER FROM OCTAL CAPITAL

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- (iii) entered into in accordance with the terms of the relevant framework agreements governing the Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;
- 2. The amount of the Continuing Connected Transactions shall not exceed the Purchase Caps or the Supply Caps (as the case may be);
- 3. The Company will comply with all other relevant requirements under the Listing Rules.

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

### RECOMMENDATION

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

- (i) the Continuing Connected Transactions will broaden the revenue from sales of connection rods and the N20 engines;
- (ii) the production technology as well as the management capabilities and levels of the Group can be improved through the cooperation with BBA;
- (iii) the mechanism and measures taken/to be taken by the Group in ensuring the Continuing Connected Transactions are on normal commercial terms; and
- (iv) the restriction by way of setting of the Purchase Caps and the Supply Caps,

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## LETTER FROM OCTAL CAPITAL

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we are of the opinion that (i) the Continuing Connected Transactions are in the ordinary and usual course of business of the Company; and (ii) the terms of the Continuing Connected Transactions, the BBA Compliance Agreement, the Purchase Caps and the Supply Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Continuing Connected Transactions, the BBA Compliance Agreement, the Purchase Caps and the Supply Caps.

Yours faithfully,

For and on behalf of

**Octal Capital Limited**

**Alan Fung**

**Louis Chan**

*Managing Director*

*Director*

*Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 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 10 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, there are no other matters the omission of which would make any statement herein or in 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 interest	Number and class of Shares	Approximate percentage of shareholding <sup>(5)</sup>
Mr. Wu Xiao An (also known as Mr. Ng Siu On) <sup>(1)(4)</sup>	Long position	Beneficial owner	3,328,016 ordinary	0.25%
	Long position	Trustee and interest in a controlled corporation	71,191,090 ordinary	5.52%

Name of Director	Long position/ short position	Nature of interest	Number and class of Shares	Approximate percentage of shareholding <sup>(5)</sup>
Mr. Wang Yunxian <sup>(2)(4)</sup>	Long position	Beneficial owner	2,588,457 ordinary	0.20%
	Long position	Trustee and interest in a controlled corporation	71,191,090 ordinary	5.52%
Mr. Li Peiqi <sup>(3)(4)</sup>	Long position	Beneficial owner	2,588,457 ordinary	0.20%
		Beneficiary of a trust	34,231,130 ordinary	2.65%

*Notes:*

- (1) Mr. Wu Xiao An is a trustee of the fixed trust and the discretionary trust (which in aggregate hold 71,191,090 Shares for the beneficiaries) under the Incentive Scheme and holds 50% interests in Lead In. Accordingly, Mr. Wu is deemed or taken to be interested in approximately 5.52% of the issued share capital of the Company. Mr. Wu is entitled to 4,992,025 Shares as a beneficiary under the fixed trust.
- (2) Mr. Wang Yunxian is a trustee of the fixed trust and the discretionary trust (which in aggregate hold 71,191,090 Shares for the beneficiaries) under the Incentive Scheme and holds 50% interest in Lead In. Accordingly, Mr. Wang is deemed or taken to be interested in approximately 5.52% of the issued share capital of the Company. Mr. Wang is entitled to 3,882,686 Shares as a beneficiary under the fixed trust.
- (3) Mr. Li Peiqi is entitled to 3,882,686 Shares as a beneficiary under the fixed trust which holds a total of 34,213,130 Shares for the beneficiaries.
- (4) The beneficiaries of the fixed trust comprise certain Directors including Mr. Wu Xiao An, Mr. Wang Yunxian and Mr. Li Peiqi, 48 senior management and employees of the Group. The above Directors are taken or deemed to be interested in their entitlement in the Shares held by Lead In.
- (5) These percentages are calculated on the basis of 1,287,407,794 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 interest	Number and class of Shares	Approximate percentage of shareholding <sup>(7)</sup>
Brilliance Investment Holdings Limited	Beneficial owner	400,000,000 ordinary	31.07%
Brilliance China <sup>(1)</sup>	Interest in a controlled corporation	400,000,000 ordinary	31.07%
Huachen <sup>(2)</sup>	Interest in a controlled corporation	400,000,000 ordinary	31.07%
Xinhua Investment Holdings Limited	Beneficial owner	400,000,000 ordinary	31.07%
Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited <sup>(3)</sup>	Interest in a controlled corporation	400,000,000 ordinary	31.07%
Sichuan Yibin Pushi Group Co., Ltd. <sup>(4)</sup>	Interest in a controlled corporation	400,000,000 ordinary	31.07%
Sichuan Province Yibin Wuliangye Group Co., Ltd. <sup>(5)</sup>	Interest in a controlled corporation	400,000,000 ordinary	31.07%
Lead In <sup>(6)</sup>	Trustee	71,191,090 ordinary	5.52%

*Notes:*

- (1) Brilliance Investment Holdings Limited is wholly-owned by Brilliance China as at the Latest Practicable Date and Brilliance China is deemed or taken to be interested in approximately 31.07% of the issued share capital of the Company in which Brilliance Investment Holdings Limited is interested.
- (2) Brilliance China is owned as to approximately 42.48% by Huachen as at the Latest Practicable Date and Huachen is deemed or taken to be interested in approximately 31.07% of the issued share capital of the Company in which Brilliance Investment Holdings Limited is interested.
- (3) Xinhua Investment Holdings Limited is a direct wholly-owned subsidiary of Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited as at the Latest Practicable Date and Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited is deemed or taken to be interested in approximately 31.07% of the issued share capital of the Company in which Xinhua Investment Holdings Limited is interested.
- (4) Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited is a direct non wholly-owned subsidiary of Sichuan Yibin Pushi Group Co., Ltd as at the Latest Practicable Date and Sichuan Yibin Pushi Group Co., Ltd is deemed or taken to be interested in approximately 31.07% of the issued share capital of the Company in which Xinhua Investment Holdings Limited is interested.
- (5) Sichuan Yibin Pushi Group Co., Ltd is a direct wholly-owned subsidiary of Sichuan Province Yibin Wuliangye Group Co., Ltd as at the Latest Practicable Date and Sichuan Province Yibin Wuliangye Group Co., Ltd is deemed or taken to be interested in approximately 31.07% of the issued share capital of the Company in which Xinhua Investment Holdings Limited is interested.
- (6) Lead In is a trustee of the fixed trust and discretionary trust under the Incentive Scheme and is deemed or taken to be interested in approximately 5.52% of the issued share capital of the Company.
- (7) These percentages are calculated on the basis of 1,287,407,794 Shares in issue as at the Latest Practicable Date.

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' SERVICE AGREEMENTS**

Each of the executive Directors has entered into a service agreement with the Company on 26 February 2013 (as supplemented by a second service agreement on 1 April 2013) for a term of three years commencing from 13 March 2013, and such service agreement shall be terminated in accordance with the terms of the service agreements.

Each of the non-executive and independent non-executive Directors was appointed to the Board pursuant to their respective letters of appointment dated 26 February 2013, for an initial term of three years commencing from 13 March 2013, and such appointment shall be terminated in accordance with the terms of the letters of appointment.

Save as disclosed above, 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)).

**4. 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 2013, 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 2013, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

**5. DIRECTORS' COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates have any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

## 6. 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 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 Holdings Limited	director
Mr. Wang Yunxian	Xinhua Investment Holdings Limited	director
Mr. Li Peiqi	Xinhua Investment Holdings Limited	director
Mr. Qi Yumin	Brilliance China	chief executive officer, president and executive director
	Huachen	chairman, president and executive director

## 7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

**8. EXPERTS**

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

<b>Name</b>	<b>Qualifications</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 BBA Compliance Agreement

- (b) As at the Latest Practicable Date, Octal Capital Limited was not beneficially interested in the share capital of any member of the Group and did not have 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, Octal Capital Limited did not have any interest, direct or indirect, in any asset which have been since 31 December 2013, 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) Octal Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.
- (e) The letter and recommendation given by Octal Capital Limited is given as of the date of this circular for incorporation herein.

**9. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance known by the Directors to be pending or threatened against any member of the Group.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Suites 1602-05, Chater House, 8 Connaught Road Central, Hong Kong during normal business hours from the date of this circular up to and including 16 June 2014:

1. the memorandum and articles of association of the Company;
2. the service contracts referred to in the paragraph headed “Directors’ service agreements” in this Appendix;
3. the BBA Compliance Agreement;
4. the N20 Engine Assembly License Agreement;
5. the N20 Engine Technical Consulting and Advisory Service Framework Agreement;
6. the N20 Engine Parts Supply Framework Agreement;
7. the Materials Procurement Agreement;
8. the letter from the Board, the text of which is set out on pages 7 to 18 of this circular;
9. the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
10. the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 44 of this circular; and
11. the written consent of the Independent Financial Adviser referred to in the paragraph headed “Experts” above.

**11. MISCELLANEOUS**

- (1) The company secretary of the Company is Ms. Fung Sam Ming. Ms. Fung is an associate of The Institute of Chartered Secretaries and Administrators.

- (2) The registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (3) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

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NOTICE OF EGM

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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 the extraordinary general meeting (the “**EGM**”) of Xincheng China Power Holdings Limited (the “**Company**”) will be held at Lounge, M/F, Grand Hyatt Hotel, 1 Harbour Road, Hong Kong on Tuesday, 17 June 2014 at 9:00 a.m. for the following purposes:

**ORDINARY RESOLUTIONS**

To consider and, and if thought fit, pass the following resolutions as ordinary resolutions of the Company:

“**THAT:**

- (a) the BBA Compliance Agreement (the “**BBA Compliance Agreement**”) (a copy of which has been produced to the EGM marked “A” and initialled by the chairman of the EGM for the purpose of identification) dated 23 May 2014 entered into between the Company, 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) 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) including the proposed annual caps and all transactions contemplated thereunder be and hereby approved, ratified and confirmed; and



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## NOTICE OF EGM

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

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

Hong Kong, 28 May 2014

*Notes:*

- (1) The Hong Kong branch register of members of the Company will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014, both days inclusive, during which period no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Tuesday, 17 June 2014 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 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, 12 June 2014.
- (2) Any member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and on a poll, vote instead of him in accordance with the memorandum and articles of association of the Company. A proxy need not be a member of the Company.
- (3) To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be completed and deposited 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 not less than 48 hours before the time for holding the meeting or any adjourned meeting thereof (as the case may be) at which the person named in such instrument proposes to vote.
- (4) A form of proxy for use at the EGM is enclosed herewith.

\* *for identification purposes only*