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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**") of Xinchen China Power Holdings Limited (the "**Company**") announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	**2020** **RMB'000**	2019 *RMB'000*
Revenue	*4*	**1,711,955**	2,076,173
Cost of sales		**(1,589,026)**	(1,847,389)
Gross profit		**122,929**	228,784
Other income	*5*	**29,832**	59,583
Impairment losses, net	*6*	**(714,844)**	(6,114)
Other gains and losses	*7*	**18,978**	(19,895)
Selling and distribution expenses		**(32,096)**	(31,006)
Administrative expenses		**(142,492)**	(129,054)
Finance costs	*8*	**(62,971)**	(81,374)
Other expenses		**(16,036)**	(13,463)
(Loss)/Profit before tax		**(796,700)**	7,461
Income tax expense	*9*	**(11,939)**	(613)
(Loss)/Profit for the year	*10*	**(808,639)**	6,848

	NOTES	2020 RMB'000	2019 RMB'000
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on:			
Receivables measured at fair value through other comprehensive income ("FVTOCI")		**269**	(631)
Total comprehensive (loss)/income for the year		**(808,370)**	6,217
(Loss)/Earnings per share – Basic *(RMB)*	*12*	**(0.631)**	0.005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	NOTES	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,297,808**	2,543,565
Prepaid lease payments		**125,937**	130,164
Intangible assets		**707,184**	669,384
Deferred tax assets		**10,206**	18,182
Loan to a shareholder		**14,326**	14,314
		3,155,461	3,375,609
CURRENT ASSETS			
Inventories		**634,399**	658,422
Trade and other receivables	*13*	**286,963**	437,624
Receivables measured at FVTOCI		**–**	34,348
Amounts due from related companies	*14*	**333,522**	1,145,866
Tax recoverable		**2,663**	9,555
Pledged/restricted bank deposits		**538,459**	266,068
Bank balances and cash		**55,285**	98,188
		1,851,291	2,650,071
CURRENT LIABILITIES			
Trade and other payables	*15*	**1,182,809**	1,176,139
Amounts due to related companies		**215,112**	215,304
Borrowings due within one year	*17*	**1,067,468**	1,008,088
Lease liabilities	*16*	**5,100**	8,407
		2,470,489	2,407,938

	NOTES	2020 RMB'000	2019 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(619,198)**	242,133
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,536,263**	3,617,742
NON-CURRENT LIABILITIES			
Borrowings due after one year	*17*	**320,394**	577,723
Lease liabilities	*16*	**–**	5,231
Deferred income		**32,319**	42,868
		352,713	625,822
NET ASSETS		**2,183,550**	2,991,920
CAPITAL AND RESERVES			
Share capital	*18*	**10,457**	10,457
Reserves		**2,173,093**	2,981,463
TOTAL EQUITY		**2,183,550**	2,991,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands on 10 March 2011. Brilliance China Automotive Holdings Limited ("Brilliance China", Brilliance China and its subsidiaries collectively referred to as "Brilliance China Group"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and Sichuan Province Yibin Wuliangye Group Co., Ltd.*（四川省宜賓五糧液集團有限公司）("Wuliangye", Wuliangye and its subsidiaries collectively referred to as "Wuliangye Group"), a state owned enterprise registered in the People's Republic of China (the "PRC"), are able to exercise significant influence over the Company. In March 2013, the Company completed the listing of its shares on the Main Board of the Stock Exchange.

The consolidated financial statements are presented in Renminbi ("RMB"), which is same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. BASIS OF PREPARATION

In preparing the consolidated financial statements of the Group, the directors of the Company have given consideration to the future liquidity of the Group in light of its net loss of approximately RMB808,639,000 incurred for the year ended 31 December 2020 and, as at that date, the Group had net current liabilities of approximately RMB619,198,000.

As at 31 December 2020, the Group's total borrowings comprising bank and other borrowings and lease liabilities amounting to approximately RMB1,392,962,000. The balance of approximately RMB1,072,568,000 will be due in the coming twelve months from the end of the reporting period.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors have reviewed the current performance and cash flow forecast as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

- The substantial shareholder, Brilliance China has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements by the directors in order to maintain the Group as a going concern;

- The Group is in negotiation with financial institutions for the renewals of the Group's short term bank borrowings, applying for new borrowings and future credit facilities; and

- The directors have evaluated all the relevant facts available to them and made a business plan to improve its liquidity by (i) monitoring the production activities in order to fulfill the forecast production volume and meet sales forecast and (ii) taking measures to tighten cost controls over various production costs and expenses.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its substantial shareholder.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance, focuses on types of goods delivered.

The Group's operations and main revenue streams are those described as below. The Group's revenue is derived from contracts of customers. Revenue from sales of gasoline engines, diesel engines and engine components is recognised at a point of time. All the contracts with customers are agreed at fixed price and the expected duration of the contracts is one year or less.

4.1 Segment revenue and segment results

The Board reviews operating results and financial information on a product by product basis. Each individual engine product constitutes an operating segment. For certain operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, are produced by using similar production processes and are distributed and sold to similar classes of customers, their segment information is aggregated into a single reportable operating segment. The Group has three reportable operating segments as follows:

(1) Gasoline engines;

(2) Diesel engines; and

(3) Engine components.

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2020

	Gasoline engines *RMB'000*	Diesel engines *RMB'000*	Engine components *RMB'000*	Total *RMB'000*
Revenue from external customers, segment revenue *(Note)*	**781,995**	**125,096**	**804,864**	**1,711,955**
Segment results	**(7,673)**	**3,014**	**127,588**	**122,929**
Other income				**29,832**
Impairment losses, net				**(714,844)**
Other gains and losses				**18,978**
Selling and distribution expenses				**(32,096)**
Administrative expenses				**(142,492)**
Finance costs				**(62,971)**
Other expenses				**(16,036)**
Loss before tax				**(796,700)**

For the year ended 31 December 2019

	Gasoline engines *RMB'000*	Diesel engines *RMB'000*	Engine components *RMB'000*	Total *RMB'000*
Revenue from external customers, segment revenue *(Note)*	1,040,724	396,439	639,010	2,076,173
Segment results	73,933	21,406	133,445	228,784
Other income				59,583
Impairment losses, net				(6,114)
Other gains and losses				(19,895)
Selling and distribution expenses				(31,006)
Administrative expenses				(129,054)
Finance costs				(81,374)
Other expenses				(13,463)
Profit before tax				7,461

Note: There is no inter-segment sales during the years ended 31 December 2020 and 2019.

Other segment information included in the measurement of segment results:

	Gasoline engines *RMB'000*	Diesel engines *RMB'000*	Engine components *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020					
Depreciation and amortisation	**119,550**	**18,142**	**105,428**	**45,900**	**289,020**
Provision of inventories	**4,136**	**1,793**	**14,657**	**–**	**20,586**
For the year ended 31 December 2019					
Depreciation and amortisation	121,859	46,418	74,822	41,557	284,656
Provision of inventories	533	–	–	–	533

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment before the allocation of selling and distribution expenses, administrative expenses, finance costs, other income, impairment losses, net, other gains and losses and other expenses. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

4.2 Performance obligations for contracts with customers

The Group sells gasoline engines, diesel engines and engine components directly to the customers which are vehicle manufacturers in the PRC.

For the sale of goods to the customers, revenue is recognised when control of the goods has transferred, being the point the goods have been delivered to and received by customers. The normal credit term is 30 to 90 days upon delivery.

For some customers who buy engine components, the Group receives considerations from the customers in advance. Such advance payment is recognised as contract liabilities until the goods have been delivered to the customers.

Sales-related warranties associated with gasoline engines and diesel engines cannot be purchased separately and they serve as an assurance that the goods sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

4.3 Segment assets and liabilities

The assets and liabilities of the Group are regularly reviewed by the Board as a whole and no discrete financial information on segment assets and segment liabilities is available, therefore total assets and total liabilities analysed by reportable and operating segment are not presented.

4.4 Geographical information

All of the Group's operations and non-current assets are located in the PRC; and all of the Group's revenue from external customers is generated in the PRC.

4.5 Information about major customers

Revenue from major customers which individually accounts for 10% or more of the Group's total revenue are sales of gasoline engines, diesel engines, engine components to the related parties as disclosed in Note 19.

5. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Rental income under operating leases	**270**	257
Bank interest income	**8,273**	8,173
Compensation income *(Note)*	**–**	32,476
Government grants	**19,585**	12,753
Interest income arising on receivables measured at FVTOCI	**–**	4,063
Imputed interest income from loan to a shareholder	**924**	890
Waiver of long-outstanding trade and other payables	**780**	971
	29,832	59,583

Note: Default compensation receivable from a customer.

6. IMPAIRMENT LOSSES, NET

	2020	2019
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– trade and other receivables, net of reversal	**250,262**	6,114
– amounts due from related companies	**464,582**	–
	714,844	6,114

As at 31 December 2020, the Group considered there are significant increase in credit risk of the receivables due from certain debtors having considered the economic environment in which the debtors operates and the liquidity condition of the debtors and, therefore, resulting a significant increase in expected credit loss allowance was recognised.

7. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Net gain arising on financial assets at fair value through profit or loss ("FVTPL"), realised	**–**	6,238
Net gain arising on financial liabilities at FVTPL, realised	**–**	5,616
Foreign exchange gains/(losses), net	**19,557**	(20,208)
Gain on disposal of assets classified as held for sale	**–**	652
Gain on disposal of miscellaneous materials	**2,264**	1,841
Gain on expropriation of prepaid lease payment	**3,321**	–
Net loss arising on receivables measured at FVTOCI	**(6,279)**	(14,477)
Gain/(Loss) on disposal of property, plant and equipment	**99**	(184)
Others	**16**	627
	18,978	(19,895)

8. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on borrowings:		
Finance charges on lease liabilities	**399**	950
Borrowings	**76,317**	95,459
	76,716	96,409
Less: amounts capitalised	**(13,745)**	(15,035)
	62,971	81,374

Borrowing costs capitalised during the year arose from the specific borrowing pool and were calculated by applying a capitalisation rate of 5.88% (2019: 5.88%) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	2020 *RMB'000*	2019 *RMB'000*
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	**1,068**	1,421
– Under/(Over) provision in prior year	**2,895**	(1,824)
	3,963	(403)
Deferred tax	**7,976**	1,016
	11,939	613

According to the announcement of "The State Administration of Taxation on issues concerning EIT related with enhancing the Western Region Development Strategy"（國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知）, Mianyang Xinchen Engine Co., Limited*（綿陽新晨動力機械有限公司）("Mianyang Xinchen") was registered with the local tax authority to be eligible to the reduced EIT rate of 15% from 2011 to 2020.

According to the extension announcement of "The State Administration of Taxation on extension on EIT related with enhancing the Western Region Development Strategy"（國家稅務總局關於延續西部大開發企業所得稅政策的公告）, Mianyang Xinchen will be further eligible to the reduced EIT rate of 15% from 2021 to 2030.

Pursuant to the relevant laws and regulations in the PRC, Mianyang Xinchen obtained the High and New Technology Enterprises qualification. Accordingly, it enjoyed a preferential income tax rate of 15% for the year ended 31 December 2020.

Other group entities established in the PRC are subject to 25% statutory enterprise income tax.

No Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the EIT laws of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB205,000,000 (2019: RMB204,680,000) as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. The directors of PRC subsidiaries plan to set aside such undistributed profits of PRC subsidiaries for investment purpose.

The tax expense for the year can be reconciled to the (loss)/profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/Profit before tax	**(796,700)**	7,461
Tax at the PRC tax rate of 15% (2019: 15%)	**(119,505)**	1,119
Tax effect of expenses not deductible for tax purpose	**131,117**	7,205
Effect of different tax rate on a group entity operate in the PRC	**427**	300
Tax effect of income not taxable for tax purpose	**(1,959)**	(2,517)
Under/(Over) provision in prior year	**2,895**	(1,824)
Tax incentives on eligible expenditures *(Note)*	**(1,036)**	(3,670)
Income tax expense	**11,939**	613

Note: The eligible expenditures represent research and development costs charged to profit or loss for the year, which is subject to an additional 75% tax deduction in the calculation of income tax expense.

10. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Directors' remuneration	**7,154**	7,113
Other staff costs	**110,496**	111,489
Contributions to retirement benefits scheme other than directors	**19,791**	35,142
Total staff costs	**137,441**	153,744
Depreciation of property, plant and equipment	**259,331**	239,477
Depreciation of right-of-use assets	**6,733**	8,353
Depreciation of prepaid lease payments	**4,143**	3,622
Amortisation of intangible assets (included in cost of sales)	**18,813**	33,204
Total depreciation and amortisation	**289,020**	284,656
Auditors' remuneration	**1,200**	1,200
Research and development costs recognised as other expenses	**1,662**	3,931
Impairment loss of property, plant and equipment *(Note)*	**23,786**	–
Included in cost of sales:		
Cost of inventories recognised as expense	**1,473,295**	1,772,907
Provision for inventories, net	**20,586**	533
Warranty claims expenses	**23,770**	14,192

Note: During the year ended 31 December 2020, the Group's BM-engines cash generating unit (the "BM-engines CGU") performed below budget, the Group engaged an independent qualified valuer to conduct an impairment assessment on the BM-engines CGU. The value in use calculations were based on the cash flow projections based on the latest financial budgets approved by the Company's management. The pre-tax discount rate used for the calculation was 12.94%. The recoverable amount of the BM-engines CGU was zero as at 31 December 2020, therefore, an impairment loss of approximately RMB23,786,000 was allocated to write down the carrying amount of the property, plant and equipment.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the (loss)/profit of RMB(808,639,000) (2019: RMB6,848,000), and weighted average number of shares of 1,282,211,794 (2019: 1,282,211,794), for the year ended 31 December 2020.

No diluted earnings per share is presented as there was no potential dilutive ordinary share outstanding during the year or as at the end of reporting period. The amount presented for diluted earnings per share is the same as basic earnings per share amount.

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**529,655**	261,957
Less: Allowance for credit losses	**(272,700)**	(8,677)
Trade receivables, net	**256,955**	253,280
Bills receivable	**1,100**	76,772
Less: Allowance for credit losses	**(100)**	(136)
Total trade and bills receivables	**257,955**	329,916
Prepayments for purchase of raw materials and engine components	**19,911**	14,190
Other receivables *(Note)*	**9,097**	93,797
Less: Allowance for credit losses	**–**	(279)
	286,963	437,624

Note: The value added tax recoverable of RMB49,352,000 and compensation receivable of RMB32,476,000 included in the balance as at 31 December 2019 were received during the year ended 31 December 2020.

The Group generally allows a credit period of 30 to 90 days from the invoice date for trade receivables and a further 3 to 6 months for bills receivable to its external customers. The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**92,811**	82,535
Over 1 month but within 2 months	**60,298**	15,846
Over 2 months but within 3 months	**6,434**	3,945
Over 3 months but within 6 months	**8,412**	2,806
Over 6 months but within 1 year	**11,980**	82,387
Over 1 year	**77,020**	65,761
	256,955	253,280

The following is an aging analysis of bills receivable, net of allowance for credit losses, presented based on the issuance date of bills at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**1,000**	49,764
Over 3 months but within 6 months	**–**	26,872
	1,000	76,636

14. AMOUNTS DUE FROM RELATED COMPANIES

	2020	2019
	RMB'000	*RMB'000*
Non-trade related	**128**	141
Trade related *(Note)*	**333,394**	1,145,725
	333,522	1,145,866

Note:

Analysed as:

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**333,121**	1,145,540
Prepayment	**273**	185
	333,394	1,145,725

Trade related amounts due from related companies are unsecured, interest free and with a credit period ranging from 45 days to 90 days from the invoice date and a further 3 to 6 months for bills receivable. The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**229,089**	328,735
Over 3 months but within 6 months	**204**	92,265
Over 6 months but within 1 year	**11,225**	218,303
Over 1 year	**92,603**	506,237
	333,121	1,145,540

The Group's credit limits offered to related companies are based on assessment of their financial viability and reputation in the industry, including historical payment records.

15. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**470,170**	572,322
Bills payable	**434,044**	361,981
Total trade and bills payables	**904,214**	934,303
Accrued payable for purchase of raw materials	**185,351**	164,405
Construction payables	**3,929**	4,400
Payroll and welfare payables	**32,160**	31,468
Advance from customers *(Note a)*	**13,125**	1,752
Provision for warranty *(Note b)*	**7,512**	4,006
Retention money	**14,522**	16,277
Other tax payables *(Note c)*	**8,455**	230
Accrued operating expenses	**7,092**	10,012
Other payables	**6,449**	9,286
	1,182,809	1,176,139

Notes:

a. As at 31 December 2020 and 2019, the balances amounting to RMB13,125,000 and RMB1,752,000, respectively, represented the contract liabilities, i.e. the Group's obligation to transfer goods or services to customers for which the Group has received consideration from the customers. The significant increase of advance from customers as at 31 December 2020 is mainly due to the increase in prepayments received as a result of more manufacturing orders received from customers during the reporting period.

b. The balance of provision for warranty represents management's best estimate of the Group's liability under the one year warranty granted to customers on the sale of automotive engines and automotive engine components, based on prior experience and industry averages for defective products at the end of reporting period.

c. Included in the balance is value added tax payable of RMB8,129,000 (2019: nil).

The credit periods of trade payables and bills payable are normally within 3 months and 3 to 6 months, respectively. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**280,251**	364,909
Over 3 months but within 6 months	**74,627**	81,309
Over 6 months but within 1 year	**40,375**	72,150
Over 1 year but within 2 years	**74,917**	53,954
	470,170	572,322

The following is an aging analysis of bills payable presented based on the issuance date of bills at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**221,706**	156,021
Over 3 months but within 6 months	**98,538**	205,960
Over 6 months but within 1 year	**113,800**	–
	434,044	361,981

16. LEASE LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Total minimum lease payments:		
Due within one year	**5,231**	8,962
Due in the second to fifth years	**–**	5,424
	5,231	14,386
Future finance charges on leases liabilities	**(131)**	(748)
Present value of leases liabilities	**5,100**	13,638

Note:

As at 31 December 2020, lease liabilities amounting to RMB5,100,000 (2019: RMB13,638,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2020, the Group entered into a modified contract with a lessor to revise the rental area and revise the monthly rental. As the modification does not add the right to use one or more underlying assets, it is not accounted for as a separate lease. Accordingly, the Group remeasures the existing lease liabilities including the lease payments for the revised monthly rental using a revised discount rate. The difference between the carrying amount of the modified lease liability and the lease liability immediately before the modification of RMB3,239,000 was recognised as an adjustment to the right-of-use assets.

17. BORROWINGS

a. Bank borrowings

	2020	2019
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within 1 year or on demand	**807,420**	998,088
After 1 year but within 2 years	**73,894**	167,329
After 2 years but within 5 years	**222,000**	221,894
After 5 years	**24,500**	98,500
	1,127,814	1,485,811
Carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities) *(Note a)*	**117,448**	–
Less: amounts shown under current liabilities	**(924,868)**	(998,088)
Amounts shown under non-current liabilities	**320,394**	487,723
Secured *(Note b)*	**545,500**	656,500
Unsecured *(Note c)*	**699,762**	829,311
	1,245,262	1,485,811

b. Other borrowings

	2020	2019
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within 1 year or on demand	**62,600**	10,000
After 1 year but within 2 years	**–**	10,000
After 2 years but within 5 years	**–**	30,000
After 5 years	**–**	50,000
	62,600	100,000
Carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities) *(Note d)*	**80,000**	–
Less: amounts shown under current liabilities	**(142,600)**	(10,000)
Amounts shown under non-current liabilities	**–**	90,000
Unsecured *(Note e)*	**142,600**	100,000

Notes:

a. At 31 December 2020, a bank borrowing of approximately RMB117,448,000, which shall be due after twelve months from the end of reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the inability to respect loan covenants of the bank borrowing and thereby triggered the default of the bank borrowing of the Group; accordingly, this borrowing became repayable on demand as at 31 December 2020.

b. At 31 December 2020 and 2019, the balances were secured by property, plant and equipment, prepaid lease payments and receivables.

c. At 31 December 2020, included in the unsecured borrowings is RMB384,896,000 (2019: RMB602,744,000) guaranteed by companies within the Group and RMB51,266,000 (2019: nil) guaranteed by related companies. The remaining balance of RMB263,600,000 (2019: RMB226,567,000) was unguaranteed and unsecured, including balance of RMB263,600,000 (2019: RMB68,496,000) was arose from discounting, with recourse of bills receivables. In obtaining the bills, bank deposits of RMB131,855,000 (2019: RMB34,248,000) were pledged to the issuing banks.

   At 31 December 2020, other than borrowings which are denominated in United States Dollar ("US$"), i.e. US$36,000,000, equivalent to approximately RMB234,896,000 (2019: US$86,400,000, equivalent to approximately RMB602,744,000) and denominated in European Dollars ("Euro"), i.e. Euro1,410,000, equivalent to approximately RMB11,426,000 (2019: Euro996,000, equivalent to approximately RMB7,783,000), the remaining loans are all denominated in RMB.

d. At 31 December 2020, other borrowing of approximately RMB80,000,000 from a non-related party, which shall be due after twelve months from the end of reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the inability to respect a loan covenant in regards to the financial position of Huachen Automotive Group Holdings Company Limited* 華晨汽車集團控股有限公司 ("Huachen Automotive"), the guarantor of this borrowing and thereby triggered the default of this borrowing of the Group; accordingly, this borrowing became repayable on demand as at 31 December 2020.

e. At 31 December 2020, included in the balances was other borrowings amounting to RMB90,000,000 (2019: RMB100,000,000) from a non-related party which was unsecured, bearing interest at 1.2% per annum and repayable on demand as at 31 December 2020 (2019: repayable on 30 December 2025). The remaining balance of RMB52,600,000 (2019: nil) was unguaranteed and unsecured.

18. SHARE CAPITAL

Details of movement of the share capital of the Company are as follows:

	Number of shares	**Amount**
		HK$
Ordinary shares of Hong Kong Dollar ("HK$") 0.01 each		
Authorised:		
At date of incorporation, 1 January 2019, 31 December 2019 and 2020	8,000,000,000	80,000,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 2020	1,282,211,794	12,822,118

	2020	2019
	RMB'000	*RMB'000*
Share capital presented in consolidated statement of financial position	**10,457**	10,457

19. RELATED PARTY DISCLOSURES

Other than those disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

	2020 *RMB'000*	2019 *RMB'000*
Sale of goods		
Brilliance China Group	**1,074,028**	982,472
Huachen Group[#]	**22,117**	178,431
Wuliangye Group	**155**	–
Mianyang Huarui Automotive Company Limited*[##] 綿陽華瑞汽車有限公司 ("Mianyang Huarui")	**–**	925
Mianyang Huaxiang Machinery Manufacturing Co., Ltd.*[##] 綿陽華祥機械製造有限公司 ("Mianyang Huaxiang")	**–**	6,192
	1,096,300	1,168,020
Purchase of goods		
Brilliance China Group	**98,024**	81,152
Huachen Group	**4,245**	–
Wuliangye Group	**20,220**	156,735
	122,489	237,887
Lease payment and auxiliary services received		
Brilliance China Group	**3,650**	3,636
Huachen Group	**3,696**	5,424
	7,346	9,060
Processing cost charged		
Wuliangye Group	**–**	1,359
Cleaning and greening services received		
Wuliangye Group	**187**	1,552
Consulting service received		
Huachen Group	**–**	170
Water and electricity costs charged		
Wuliangye Group	**470**	1,441
Repairment fee		
Wuliangye Group	**237**	175

Huachen Automotive (Huachen Automotive and its subsidiaries collectively referred to as "Huachen Group") is a controlling shareholder of Brilliance China.

There were common directors who had influence over the Group and Mianyang Huarui and Mianyang Huaxiang (a subsidiary of Mianyang Huarui) and hence, the entities were considered as related parties of the Group in accordance with HKAS 24 Related Party Disclosures as at 31 December 2019. As at 31 December 2020, there is no common director who has influence over the Group and Mianyang Huarui and Mianyang Huaxiang and hence, the entities are no longer considered as related parties of the Group.

BUSINESS REVIEW AND PROSPECT

According to the China Association of Automobile Manufacturers' statistics, the automobile industry showed a decline of 1.9% year on year in vehicle sales totaling 25.31 million units in 2020, and this was the third negative year in a row since 2018, after approximately two decades of continuous growth. In fact, this is just a very slight decrease and the Chinese automobile market showed its strong resilience in the second half of the year and continues its influence on the automobile sales of the world. In 2020, China's annual automobile sales accounts for about one-third of the world's sale. This was achieved by the stronger-than-expected market demand despite the novel coronavirus pandemic that hard hit the country in the first few months of the year and also the swift and effective way to contain the coronavirus outbreak by the PRC Government, which allowed the automotive plants quickly restarted production from April onwards. Subsidies for new energy vehicles ("**NEV**") and relaxed quota limits for urban areas have also supported a sustained recovery in its auto demand. The entire industry is still in the process of transformation and upgrading and therefore, we are optimistic about the future of our industry.

Passenger vehicles, including sedan car, sport-utility car ("**SUV**"), and multi-purpose vehicle ("**MPV**"), showed a downturn of 6.0% in sales year on year to 20.18 million units whereas the performance of commercial vehicles recorded a 18.7% increase to 5.13 million units. Among the main types of passenger vehicles, compared with the previous year, the sales of SUV stopped to decline but showed a very slight increase. The sales of the other types of passenger vehicles continued to show decrease in sales. The most obvious decline was MPV which was 23.8% in sales year on year.

As such, the demand for certain types of vehicles produced by the Group's customers decreased during the year, and this affected the sales of some of both the traditional and Prince Engines of the Group. In 2020, the Group recorded a total sales of approximately RMB1,711.96 million, representing a decrease of approximately 17.54% as compared to 2019. As disclosed in the interim report for the six months ended 30 June 2020, such decrease was mainly due to a decrease in the sales of engines owing to the unfavorable automobile market environment coupled with the outbreak of pandemic in the beginning of 2020. On the other hand, the increase in sales of crankshafts by approximately 29.17%, amounting to approximately RMB726.12 million, was attributable to the continual increase in the demand by BMW Brilliance Automotive Ltd. ("**BBA**") for the Group's Bx8 crankshafts. The impairments on certain trade receivables and intangible assets, together with the decline in profit margin of the engine production business, led to a significant net loss attributable to owners of the Company which was approximately RMB808.64 million, as compared to a net profit attributable to owners of the Company of approximately RMB6.85 million in 2019.

With more emphasis being placed on environmental protection, energy conservation and reduction of exhaust emission, the PRC Government is updating policies and regulations, which increases the operating burden on the automobile industry. The "China VI" vehicle emission standard is further divided into China VI(a) and China VI(b) with implementation dates on 1 July 2020 and 1 July 2023 respectively. In order to stay competitive and go in line with the government policy, we closely monitor the policy trends and actively carry out technological research and innovations to ensure proper compliance with the latest government policies and regulations. The research and development department is strengthening study on fuel-saving technology and preparing for Prince Engines to be compatible with range-extending and hybrid technology for electric vehicles. Plug-in hybrid vehicle ("**PHEV**") and range-extended electric vehicles ("**REEV**") are developed on the basis of combining traditional internal combustion engines with electric motors. The powertrain is adapted to the latest development trend of NEVs in China and abroad. Our newly-develop engines are compliant with the latest regulations and have good technical scalability. We aim at creating an engine family with high brand value, advanced technology, and cost effectiveness and this is in line with the needs of the Chinese market.

The Prince Engine production has been exclusively licensed to us by BMW AG since June 2015. An expert team from BMW Germany provided all-around supports on research and development, industrialization, supply chain management, quality management and project management, ensuring the engine production is in accordance with BMW process certification, quality philosophy and quality standard. With BMW's continual support, we are able to modify and upgrade the specification of Prince Engines to achieve higher torque and lower oil consumption and it was implemented successfully with the China VI(a) emission standard in July 2020. This engine family will have different volume displacement models with advanced technology whilst maintaining at a reasonable production cost that meets the needs of our target market.

Based on the CE16 engine prototype, we are currently working on the following hybrid engine projects with various displacement, namely CE12M, CE15F, CE15R and CE18R which cater for PHEV and REEV. We have signed contracts with various customers and commenced vehicle matching work and we expect that the industrialization of these engines will be in the second half of 2021 and in 2022. These engines will meet the requirements of the China VII emission and Europe Real Driving Emission regulations, with good quality to be exported to other countries in the future.

Numerous policies were launched by both the PRC Central Government and local authorities during the year to promote car consumption amid the impact of the coronavirus outbreak. Measures aimed at stimulating sales of NEVs were especially strong. In April 2020, the resumption of the new energy subsidy policy and the exemption of purchase tax for another two years promoted the sales growth of NEV. China's State Council has also announced a development plan for the NEV industry during 2021 to 2035, targeting a 20% share of NEVs in the country's total vehicles sales by 2035. As mentioned above, we are developing various engines which fit for NEVs. However, it is expected that the NEV market will take some time to become a common type of vehicles as consumers generally have anxiety over the mileage range, lacking of charging power point and high cost of replacement of battery, etc.

Apart from engines production, crankshaft production will continue to be one of the main business focuses in the development of core engine parts and components business of the Group for BBA. During the year 2020, in view of the increasing demand from BBA for the supply of Bx8 crankshafts, we completed the production expansion of the existing crankshaft production line which enabled the Group to further enhance its profitability potential in the engine component business segment. The expanded production line, which provides an additional 200,000 units of annual crankshaft production, commenced its operation in January 2020. At present, the maximum annual crankshaft production capacity is approximately 800,000 units. BBA officially nominated us as the next generation of Bx8 engine crankshaft and connecting rod supplier and the supply period has been extended to 2030.

From the perspective of the development trend of the automobile industry and with the steady recovery of the economy in China, consumer demand will resume and the overall potential of the Chinese automobile market is still huge. Therefore, it is estimated that the Chinese automobile market will bottom out in 2021. In the coming years, the market will restore its positive growth through the development of vehicle electrification, vehicle digitalization, vehicle built-in intelligence and in-car internet. These will accelerate the transformation and upgrading of the automotive industry. The new energy vehicle market will also shift from policy-driven to market-driven.

The Group will continue to explore cooperation opportunities with BMW AG, BBA and other business partners in the future to cope with the ever-changing automobile industry trend. In particular, the Group will continue to actively identify potential merger and acquisition opportunities and assess possibilities of forming joint ventures with other potential partners to expand its product portfolio and strengthen its core competitiveness.

MANAGEMENT'S DISCUSSION & ANALYSIS

In 2020, the Group achieved total consolidated sales of approximately RMB1,711.96 million, representing a decrease of approximately 17.54% compared to the corresponding period last year (approximately RMB2,076.17 million). The decrease was mainly due to the decrease in the sales of engines, despite the increase in the sales of Bx8 crankshafts. As the novel coronavirus took its toll during the reporting period, the automobile industry was no exception. Despite the fact that there was rebound in sales of engines in the second half of 2020, the overall yearly decrease in sales of engines was due to lacklustre demand of engines from various automobile manufacturers during the year caused by the slowing economy and trade tensions with the United States. The increase in the sales of crankshafts was mainly due to the increase in the demand by BBA for the Group's Bx8 crankshafts.

In respect of the engines business segment, the Group recorded approximately 36.88% decrease in segment revenue, from approximately RMB1,437.16 million in 2019 to approximately RMB907.09 million in 2020. Sales volume of engines decreased by approximately 50.75% from around 127,500 units in 2019 to around 62,800 units in 2020. The decrease was mainly due to the decrease in the sales of traditional gasoline, diesel engines and Prince Engines in 2020.

In respect of the engine components segment, the Group recorded approximately 25.95% increase in segment revenue, from approximately RMB639.01 million in 2019 to approximately RMB804.86 million in 2020. The increase was mainly due to more Bx8 crankshafts produced and supplied to BBA during the year. The Group sold around 647,000 units of crankshafts in 2020, representing an increase of approximately 30.44% from around 496,000 units in 2019. There was an increase in the demand for connecting rods, the Group sold around 991,000 units of connecting rods in 2020, up by approximately 92.80% from around 514,000 units in 2019.

The consolidated cost of sales in 2020 amounted to approximately RMB1,589.03 million, down by approximately 13.99% when compared to approximately RMB1,847.39 million recorded in 2019. The decrease in cost of sales was due to the decrease in sales revenue.

The gross profit margin of the Group decreased from approximately 11.02% in 2019 to approximately 7.18% in 2020, which was mainly due to the downward adjustment in sales price of engines while some of the fixed costs remained the same.

Impairment losses increased from approximately RMB6.11 million in 2019 to approximately RMB714.84 million in 2020. The increase was mainly due to an impairment of trade-related receivables based on the expected credit losses assessment performed by an independent qualified professional valuer.

Other gains and losses changed from approximately RMB19.90 million losses in 2019 to approximately RMB18.98 million in gains 2020. The change was mainly due to unrealized foreign exchange translation gain recognized in 2020.

Selling and distribution expenses increased by approximately 3.52%, from approximately RMB31.01 million in 2019 to approximately RMB32.10 million in 2020, representing approximately 1.49% and approximately 1.87% of the revenue in 2019 and 2020, respectively. The increase in value was mainly due to the increase in sale staff expense during 2020.

Administrative expenses increased by approximately 10.41%, from approximately RMB129.05 million in 2019 to approximately RMB142.49 million in 2020, representing approximately 6.22% and approximately 8.32% of the revenue in 2019 and 2020, respectively. The increase in terms of percentage was mainly due to increase in office expense and professional fees during the year.

Finance costs decreased by approximately 22.62%, from approximately RMB81.37 million in 2019 to approximately RMB62.97 million in 2020. The decrease was mainly due to more repayment of borrowings during the year.

Other expenses increased by approximately 19.11% from approximately RMB13.46 million in 2019 to approximately RMB16.04 million in 2020, which was mainly due to the increase in research expenses incurred in 2020.

The Group's profit before tax was approximately RMB7.46 million in 2019 whereas the Group's loss before tax was approximately RMB796.70 million in 2020.

Income tax expenses increased by approximately 1,847.63% from approximately RMB0.61 million in 2019 to approximately RMB11.94 million in 2020. The increase was mainly due to the movement of deferred tax assets.

For the year 2020, the loss attributable to owners of the Company was approximately RMB808.64 million, as compared to a net profit of approximately RMB6.85 million for the year ended 31 December 2019. Basic loss per share in 2020 amounted to approximately RMB0.631, as compared to basic earnings per share of approximately RMB0.005 in 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had approximately RMB55.29 million in cash and cash equivalents (31 December 2019: RMB98.19 million), and approximately RMB486.63 million in pledged bank deposits (31 December 2019: RMB261.30 million). The Group had trade and other payables of approximately RMB1,182.81 million (31 December 2019: RMB1,176.14 million), borrowings due within one year in the amount of approximately RMB1,067.47 million (31 December 2019: RMB1,008.09 million), and borrowings due after one year in the amount of approximately RMB320.39 million (31 December 2019: RMB577.72 million).

CAPITAL STRUCTURE

As at 31 December 2020, the Group's total assets was approximately RMB5,006.75 million (31 December 2019: RMB6,025.68 million), which was funded by the following: (1) share capital of approximately RMB10.46 million (31 December 2019: RMB10.46 million), (2) reserves of approximately RMB2,173.09 million (31 December 2019: RMB2,981.46 million) and (3) total liabilities of approximately RMB2,823.20 million (31 December 2019: RMB3,033.76 million).

CONTINGENT LIABILITIES

During the year, the Group (i) endorsed certain bills receivable for the settlement of trade and other payables; and (ii) discounted certain bills receivable to banks for raising cash. The Group considers that the risk of default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by reputable banks in the PRC.

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged certain of its receivables with an aggregate gross amount, before impairment loss, of approximately RMB247.89 million (31 December 2019: RMB33.55 million to certain banks to secure certain credit facilities granted to the Group.

As at 31 December 2020, the Group has pledged certain land use rights, buildings, plant and machinery with an aggregate carrying value of approximately RMB136.12 million (31 December 2019: RMB100.15 million) to certain banks to secure certain credit facilities granted to the Group.

As at 31 December 2020, the Group pledged bank deposits in the amount of approximately RMB486.63 million (31 December 2019: RMB261.30 million) to certain banks to secure certain credit facilities granted to the Group.

GEARING RATIO

As at 31 December 2020, the debt-to-equity ratio, computed by dividing total liabilities by total equity attributable to owners of the Company, was approximately 1.29 (31 December 2019: 1.01). The increase in the debt-to-equity ratio was mainly due to the significant decrease in reserves in 2020.

As at 31 December 2020, the gearing ratio, computed by dividing borrowings by total equity attributable to owners of the Company, was approximately 63.56% (31 December 2019: 53.00%). The increase in gearing ratio was mainly due to the decrease in reserves as a result of the significant losses incurred in 2020.

FOREIGN EXCHANGE RISKS

The Group's functional currency is RMB. Since the Group has certain assets and liabilities, such as receivables, payables, bank borrowings and cash and cash equivalents, denominated in foreign currencies, such as US$ and HK$, the Group is exposed to foreign currency translation risk.

The Group has monitored and will continue to monitor its foreign exchange risks and may consider hedging its foreign currency exposure, if and when necessary. Certain portion of US$-denominated bank borrowings was hedged with forward contracts during the year under review in order to minimize exposure to foreign exchange risk.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed approximately 1,270 employees (31 December 2019: approximately 1,445 employees). Employee costs amounted to approximately RMB137.44 million for the year ended 31 December 2020 (31 December 2019: approximately RMB153.74 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is based on their performance.

SIGNIFICANT INVESTMENTS

There were no significant investments, material acquisitions or disposals of subsidiaries and associated companies by the Group during the year ended 31 December 2020.

CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital commitments of approximately RMB250.54 million (31 December 2019: RMB479.09 million), among which contracted capital commitments amounted to approximately RMB43.22 million (31 December 2019: RMB101.01 million), which is primarily related to capital expenditure in respect of acquisition of property, plant and equipment, and new engine development.

ENVIRONMENTAL AND SOCIAL

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. During the year, the Group has endeavored to manage, monitor, recommend and report on environmental and social aspects.

The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. Towards that end, it has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

DIVIDEND

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held at 9:00 a.m. on Thursday, 24 June 2021.

The Hong Kong branch register of members of the Company will be closed from Thursday, 17 June 2021 to Thursday, 24 June 2021, both dates inclusive, during which period no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 17 June 2021 or their proxies or duly authorised corporate representatives are entitled to attend the annual general meeting. In order to qualify for attending the annual general 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 Wednesday, 16 June 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance, consistent with the needs and requirements of the business and its shareholders. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with all code provisions of the CG Code throughout the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transaction by directors during the year ended 31 December 2020.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters, including the consolidated financial statements of the Group for the year ended 31 December 2020.

At present, the audit committee comprises Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, all of whom are independent non-executive directors of the Company. Mr. Chi Guohua is the chairman of the audit committee.

PUBLICATION OF ANNUAL REPORT

The 2020 annual report of the Company containing the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xinchenpower.com) respectively in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two executive directors: Mr. Wu Xiao An (also known as Mr. Ng Siu On) *(Chairman)* and Mr. Wang Yunxian *(Chief Executive Officer)*; two non-executive directors: Ms. Ma Nina and Mr. Yang Ming; and four independent non-executive directors: Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.

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

Hong Kong, 25 March 2021

* *for identification purposes only*