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 2021

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 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*4*	**1,462,777**	1,711,955
Cost of sales		**(1,386,340)**	(1,589,026)
Gross profit		**76,437**	122,929
Other income	*5*	**109,204**	29,832
Impairment losses, net	*6*	**(298,877)**	(714,844)
Other gains and losses	*7*	**5,074**	18,978
Selling and distribution expenses		**(17,388)**	(32,096)
Administrative expenses		**(199,129)**	(142,492)
Finance costs	*8*	**(58,365)**	(62,971)
Other expenses		**(16,616)**	(16,036)
Loss before tax		**(399,660)**	(796,700)
Income tax credit/(expense)	*9*	**6,887**	(11,939)
Loss for the year	*10*	**(392,773)**	(808,639)

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on:			
Receivables measured at fair value through other comprehensive income ("FVTOCI")		**(161)**	269
Total comprehensive loss for the year		**(392,934)**	(808,370)
Loss per share – Basic and diluted *(RMB)*	*12*	**(0.306)**	(0.631)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,880,317**	2,297,808
Prepaid lease payments		**121,816**	125,937
Intangible assets		**646,684**	707,184
Deferred tax assets		**19,550**	10,206
Loan to a shareholder		**14,784**	14,326
Other assets	*13*	**213,696**	–
		2,896,847	3,155,461
Current assets			
Inventories		**471,886**	634,399
Trade and other receivables	*14*	**144,142**	286,963
Receivables measured at FVTOCI		**12,950**	–
Amounts due from related companies	*15*	**150,662**	333,522
Tax recoverable		**1,548**	2,663
Pledged/restricted bank deposits		**273,937**	538,459
Bank balances and cash		**12,853**	55,285
		1,067,978	1,851,291
Current liabilities			
Trade and other payables	*16*	**822,755**	1,182,809
Amounts due to related companies		**81,675**	215,112
Borrowings due within one year	*18*	**1,068,232**	1,067,468
Lease liabilities	*17*	**2,095**	5,100
		1,974,757	2,470,489

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Net current liabilities		**(906,779)**	(619,198)
Total assets less current liabilities		**1,990,068**	2,536,263
Non-current liabilities			
Borrowings due after one year	*18*	**172,060**	320,394
Lease liabilities	*17*	**2,157**	–
Deferred income		**25,235**	32,319
		199,452	352,713
Net assets		**1,790,616**	2,183,550
Capital and reserves			
Share capital	*19*	**10,457**	10,457
Reserves		**1,780,159**	2,173,093
Total equity		**1,790,616**	2,183,550

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 Act (Revised) 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 2021

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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standard ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group 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 RMB392,773,000 incurred for the year ended 31 December 2021 and, as at that date, the Group had net current liabilities of approximately RMB906,779,000 and incurred net cash outflows from operating activities of approximately RMB27,003,000 for the year then ended.

As at 31 December 2021, the Group's total borrowings comprising bank and other borrowings and lease liabilities amounting to approximately RMB1,244,544,000. The balance of approximately RMB1,070,327,000 will be due in the coming twelve months from the end of the reporting period, including the borrowing of approximately RMB70,000,000 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 due to the unfulfillment of a loan covenant following the deterioration of the financial conditions of Huachen Automotive Group Holdings Company Limited*（華晨汽車集團控股有限公司）("Huachen Automotive", Huachen Automotive and its subsidiaries collectively referred to as "Huachen Group"), 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 2021.

As at 31 December 2021, the suspension of trading of Brilliance China on the Stock Exchange and the restructuring of Renault Brilliance Jinbei Automotive Company Limited*（華晨雷諾金杯汽車有限公司）, a subsidiary of Brilliance China Group have triggered a significant increase in credit risk of the receivables due from Brilliance China Group; accordingly, an addition expected credit loss ("ECL") allowance of approximately RMB182,861,000 was recognised for the year ended 31 December 2021.

Despite of these circumstances, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the end of the reporting period, after taking into consideration of the measures and arrangements that the Group has implemented or is in the process of implementing as detailed below:

- 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 upon expiry, new borrowings and applying for future credit facilities. As at 31 December 2021, the Group had available unutilised bank facilities of RMB150,000,000. Up to the date of approval of these consolidated financial statements, the banks have shown the positive support on the Group and the Group has not received any demand notice from the banks for the repayment of the borrowing. Therefore, the directors of the Company are confident that the entire borrowings can be renewed upon expiration based on the Group's past experience and credit history;

- 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, (ii) taking measures to tighten cost controls over various production costs and expenses, and (iii) any feasible financial arrangement.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management, which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the end of the reporting period after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company 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 2021

	Gasoline engines *RMB'000*	**Diesel engines** *RMB'000*	**Engine components** *RMB'000*	**Total** *RMB'000*
Revenue from external customers, segment revenue *(Note)*	**450,784**	**53,303**	**958,690**	**1,462,777**
Segment results	**(10,901)**	**1,025**	**86,313**	**76,437**
Other income				**109,204**
Impairment losses, net				**(298,877)**
Other gains and losses				**5,074**
Selling and distribution expenses				**(17,388)**
Administrative expenses				**(199,129)**
Finance costs				**(58,365)**
Other expenses				**(16,616)**
Loss before tax				**(399,660)**

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)

Note: There is no inter-segment sales during the years of 2021 and 2020.

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 2021					
Depreciation and amortisation	**114,411**	**36,856**	**138,867**	**41,409**	**331,543**
Provision of inventories	**6,786**	**497**	**–**	**–**	**7,283**
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

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 20.

5. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Rental income under operating leases	**332**	270
Bank interest income	**5,619**	8,273
Compensation income *(Note)*	**92,881**	–
Government grants	**9,198**	19,585
Imputed interest income from loan to a shareholder	**888**	924
Waiver of long-outstanding trade and other payables	**286**	780
	109,204	29,832

Note: Default compensation receivable from a related company as a result of discounted sales of engines and engine components at auction. These engines and engine components were produced or procured under the sales contract previously signed with the related company.

6. IMPAIRMENT LOSSES, NET

	2021	2020
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– trade and other receivables, net of reversal	**91,176**	250,262
– amounts due from related companies, net of reversal	**207,701**	464,582
	298,877	714,844

As at 31 December 2021 and 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 amount of ECL allowance was recognised.

7. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Foreign exchange gains, net	**3,951**	19,557
Gain on disposal of miscellaneous materials	**3,478**	2,264
Gain on expropriation of prepaid lease payment	**–**	3,321
Net loss arising on receivables measured at FVTOCI	**(2,933)**	(6,279)
(Loss)/Gain on disposal of property, plant and equipment	**(10)**	99
Others	**588**	16
	5,074	18,978

8. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on borrowings:		
Finance charges on lease liabilities	**198**	399
Borrowings	**58,167**	76,317
	58,365	76,716
Less: amounts capitalised	**–**	(13,745)
	58,365	62,971

Borrowing costs capitalised during the year ended 31 December 2020 arose from the specific borrowing pool and were calculated by applying a capitalisation rate of 5.88% per annum to expenditure on qualifying assets.

9. INCOME TAX (CREDIT)/EXPENSE

	2021 *RMB'000*	2020 *RMB'000*
PRC Enterprise Income Tax ("EIT")		
– Provision for the year	**1,080**	1,068
– Under provision in prior year	**1,377**	2,895
	2,457	3,963
Deferred tax	**(9,344)**	7,976
	(6,887)	11,939

According to the announcement of "The State Administration of Taxation on issues concerning EIT related with enhancing the Western Region Development Strategy"（國家税務總局關於深入實施西部大開發戰略有關税收政策問題的通知）, 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"（國家税務總局關於延續西部大開發企業所得税政策的公告）, 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, Xinchen Engine (Shenyang) Co., Limited*（新晨動力機械（瀋陽）有限公司）obtained the High and New Technology Enterprises qualification. Accordingly, it enjoyed a preferential income tax rate of 15% (2020: statutory EIT rate of 25%) for the year ended 31 December 2021.

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 RMB205,612,000 (2020: RMB205,000,000) 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 before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	RMB'000	*RMB'000*
Loss before tax	**(399,660)**	(796,700)
Tax at the PRC tax rate of 15% (2020: 15%)	**(59,949)**	(119,505)
Tax effect of expenses not deductible for tax purpose	**63,226**	131,117
Effect of different tax rate on a group entity operating in the PRC	**–**	427
Tax effect of income not taxable for tax purpose	**(1,187)**	(1,959)
Under provision in prior year	**1,377**	2,895
Tax incentives on eligible expenditures *(Note)*	**(19,565)**	(1,036)
Tax effect of tax losses not recognised	**9,211**	–
Income tax (credit)/expense	**(6,887)**	11,939

Note: The eligible expenditures represent research and development costs charged to profit or loss for the year, which is subject to an additional 100% (2020: 75%) tax deduction in the calculation of income tax expense.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Directors' remuneration	**6,642**	7,154
Other staff costs	**94,590**	110,496
Contributions to retirement benefits scheme other than directors	**26,454**	19,791
Total staff costs	**127,686**	137,441
Depreciation of property, plant and equipment	**245,443**	259,331
Depreciation of right-of-use assets	**3,730**	6,733
Depreciation of prepaid lease payments	**4,121**	4,143
Amortisation of intangible assets	**78,249**	18,813
Total depreciation and amortisation	**331,543**	289,020
Auditors' remuneration	**1,260**	1,200
Research and development costs recognised as other expenses	**7,659**	1,662
Impairment loss of property, plant and equipment	**16,580**	23,786
Impairment loss of intangible assets	**9,115**	–
Included in cost of sales:		
Cost of inventories recognised as expense	**1,319,823**	1,473,295
Provision for inventories, net	**7,283**	20,586
Warranty claims expenses	**22,217**	23,770

11. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the loss of RMB392,773,000 (2020: RMB808,639,000), and weighted average number of shares of 1,282,211,794 (2020: 1,282,211,794), for the year ended 31 December 2021.

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. OTHER ASSETS

On 27 August 2021, Mianyang Xinchen entered into an investment agreement (the "Investment Agreement") with Beijing CHJ Automotive Technology Co., Ltd*（北京車和家汽車科技有限公司）("Beijing CHJ"), a company established in the PRC and controlled by Li Auto Inc., for the establishment of Sichuan Li Xinchen Technology Co., Ltd*（四川理想新晨科技有限公司）("Li Xinchen") in the PRC. Pursuant to the Investment Agreement, Mianyang Xinchen agreed to inject capital assets into Li Xinchen for the registered capital of Li Xinchen, which mainly comprise equipment and machinery and constructions in-progress relating to CE assembly line and cylinder block machining line (the "Contribution Assets"), with a total book value and appraised value of approximately RMB218,485,000 and RMB213,696,000, respectively and resulting an impairment loss of property, plant and equipments amounting to RMB4,789,000 and a transfer from property, plant and equipments to assets held for disposal ("other assets") amounting to RMB213,696,000. The transfer of the Contribution Assets into Li Xinchen is expected to be completed within one year from the date of classification to other assets.

14. TRADE AND OTHER RECEIVABLES

	2021 ***RMB'000***	2020 *RMB'000*
Trade receivables	**440,297**	529,655
Less: Allowance for credit losses	**(363,876)**	(272,700)
Trade receivables, net	**76,421**	256,955
Bills receivable	**41,613**	1,100
Less: Allowance for credit losses	**–**	(100)
Total trade and bills receivables	**118,034**	257,955
Prepayments for purchase of raw materials and engine components	**18,846**	19,911
Other receivables	**7,262**	9,097
Less: Allowance for credit losses	**–**	–
	144,142	286,963

The Group has not pledged any trade receivables as at 31 December 2021 (2020: RMB35,913,000), to secure general banking facilities granted to the Group.

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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**23,331**	92,811
Over 1 month but within 2 months	**3,120**	60,298
Over 2 months but within 3 months	**284**	6,434
Over 3 months but within 6 months	**8,644**	8,412
Over 6 months but within 1 year	**7,819**	11,980
Over 1 year	**33,223**	77,020
	76,421	256,955

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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**17,948**	1,000
Over 3 months but within 6 months	**23,635**	–
Over 6 months but within 1 year	**30**	–
	41,613	1,000

15. AMOUNTS DUE FROM RELATED COMPANIES

	2021	2020
	RMB'000	*RMB'000*
Non-trade related	**22**	128
Trade related *(Note)*	**150,640**	333,394
	150,662	333,522

Note:

Analysed as:

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**150,557**	333,121
Prepayment	**83**	273
	150,640	333,394

The Group has pledged certain amounts due from related companies, before ECL allowance, amounting to RMB82,635,000 as at 31 December 2021 (2020: RMB211,981,000) to secure general banking facilities granted to the Group.

Trade related amounts due from related companies are unsecured, interest free and with a credit period ranging from 45 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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**85,922**	229,089
Over 3 months but within 6 months	**–**	204
Over 6 months but within 1 year	**64,635**	11,225
Over 1 year	**–**	92,603
	150,557	333,121

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.

16. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**414,839**	655,521
Bills payable	**336,646**	434,044
Total trade and bills payables	**751,485**	1,089,565
Construction payables	**4,717**	3,929
Payroll and welfare payables	**18,115**	32,160
Advance from customers *(Note a)*	**9,622**	13,125
Provision for warranty *(Note b)*	**5,887**	7,512
Retention money	**13,741**	14,522
Other tax payables *(Note c)*	**4,618**	8,455
Accrued operating expenses	**7,960**	7,092
Other payables	**6,610**	6,449
	822,755	1,182,809

Notes:

a. As at 31 December 2021 and 2020, the balances amounting to RMB9,622,000 and RMB13,125,000, 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. During the year ended 31 December 2021, the contract liabilities balance at the beginning of the year were fully recognized as revenue from sale of goods.

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 RMB4,345,000 (2020: RMB8,129,000).

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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**287,987**	465,602
Over 3 months but within 6 months	**26,504**	74,627
Over 6 months but within 1 year	**26,025**	40,375
Over 1 year but within 2 years	**48,004**	60,243
Over 2 years	**26,319**	14,674
	414,839	655,521

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**127,816**	221,706
Over 3 months but within 6 months	**187,250**	98,538
Over 6 months but within 1 year	**21,580**	113,800
	336,646	434,044

17. LEASE LIABILITIES

	2021 *RMB'000*	2020 *RMB'000*
Total minimum lease payments:		
Due within one year	**2,192**	5,231
Due in the second to fifth years	**2,191**	–
	4,383	5,231
Future finance charges on lease liabilities	**(131)**	(131)
Present value of lease liabilities	**4,252**	5,100

Note:

As at 31 December 2021, lease liabilities amounting to RMB4,252,000 (2020: RMB5,100,000) 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 2021 and 2020, the Group entered into a modified contract with a lessor to revise the rental period and the monthly rental (2020: revise the rental area and 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 RMB6,426,000 (2020: RMB3,239,000) was recognised as an adjustment to the right-of-use assets.

18. BORROWINGS

a. Bank borrowings

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount repayable:		
Within 1 year or on demand	**488,232**	807,420
After 1 year but within 2 years	**74,000**	73,894
After 2 years but within 5 years	**98,060**	222,000
After 5 years	**–**	24,500
	660,292	1,127,814
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	**(488,232)**	(924,868)
Amounts shown under non-current liabilities	**172,060**	320,394
Secured *(Note b)*	**346,820**	545,500
Unsecured *(Note c)*	**313,472**	699,762
	660,292	1,245,262

b. Other borrowings

	2021 RMB'000	2020 RMB'000
Carrying amount repayable:		
Within 1 year or on demand	**510,000**	62,600
	510,000	62,600
Carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities) (Note d)	**70,000**	80,000
Less: amounts shown under current liabilities	**(580,000)**	(142,600)
Amounts shown under non-current liabilities	**–**	–
Secured (Note e)	**500,000**	–
Unsecured (Note f)	**80,000**	142,600
	580,000	142,600

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. At 31 December 2021, this bank borrowing became due within twelve months from the end of reporting period in accordance with the scheduled repayment dates.

b. At 31 December 2021 and 2020, the balances were secured by property, plant and equipment, prepaid lease payments and amounts due from related companies.

c. At 31 December 2021, included in the unsecured borrowings is RMB231,548,000 guaranteed by companies within the Group (2020: RMB384,896,000 and RMB51,266,000 guaranteed by companies within the Group and related companies, respectively). The remaining balance of RMB81,924,000 (2020: RMB263,600,000) was unguaranteed, unsecured and arose from discounting, with recourse of bills receivables. In obtaining the bills, bank deposits of RMB40,962,000 (2020: RMB131,855,000) were pledged to the issuing banks.

   At 31 December 2021, other than borrowing which are denominated in United States Dollar ("US$"), i.e. US$19,000,000, equivalent to approximately RMB121,138,000 (2020: US$36,000,000, equivalent to approximately RMB234,896,000 and Euro 1,410,000, equivalent to approximately RMB11,426,000), the remaining loans are all denominated in RMB.

d. At 31 December 2021, other borrowing of approximately RMB70,000,000 (2020: 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 due to the unfulfilment of a loan covenant following the deterioration of the financial condition of 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 2021 and 2020.

e. At 31 December 2021, included in the balances was other borrowings amounting to RMB500,000,000 (2020: Nil) from BMW Brilliance Automotive Ltd.*（華晨寶馬汽車有限公司）(“BMW Brilliance Automotive”) which was secured by property, plant and equipment and prepaid lease payments, bearing interest at 4.6% per annum and repayable on demand as at 31 December 2021.

f. At 31 December 2021, included in the balances was other borrowings amounting to RMB80,000,000 (2020: RMB90,000,000) from a non-related party which was unsecured, bearing interest at 1.2% per annum and repayable on demand as at 31 December 2021 and 2020. The remaining balance of RMB52,600,000 as at 31 December 2020 was unguaranteed and unsecured.

19. 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 2020, 31 December 2020 and 2021	8,000,000,000	80,000,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 2021	1,282,211,794	12,822,118

	2021 ***RMB'000***	2020 *RMB'000*
Share capital presented in consolidated statement of financial position	**10,457**	10,457

20. 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:

	2021	2020
	RMB'000	*RMB'000*
Sale of goods		
Brilliance China Group	**982,707**	1,074,028
Huachen Group	**227**	22,117
Wuliangye Group	**–**	155
	982,934	1,096,300
Purchase of goods		
Brilliance China Group	**102,762**	98,024
Huachen Group	**211**	4,245
Wuliangye Group	**75,127**	20,220
	178,100	122,489
Lease payment and auxiliary services received		
Brilliance China Group	**2,366**	3,650
Huachen Group	**274**	3,696
	2,640	7,346
Compensation income		
Brilliance China Group	**92,881**	–
Cleaning and greening services received		
Wuliangye Group	**87**	187
Consulting service received		
Wuliangye Group	**50**	–
Water and electricity costs charged		
Wuliangye Group	**16**	470
Repairment fee		
Wuliangye Group	**74**	237

BUSINESS REVIEW AND PROSPECT

According to the China Association of Automobile Manufacturers' statistics, the automobile industry showed a growth of 3.8% year on year in vehicle sales totaling approximately 26.3 million units in 2021, and this was the first year with growth since 2018 as the market was hit by trade tensions, economic downturn and tighter emission standards, etc. Despite chip shortage, rise in raw material prices and continual woe of the Covid-19 pandemic in China, the resurgence of consumer confidence in spending contributed to the very first solid rebound of the automobile industry in the world. In 2021, sales of passenger vehicles, including sedan car, sport-utility vehicle ("**SUV**") and multi-purpose vehicle ("**MPV**"), amounted to about 21.5 million units, up by 6.5% year on year. Among the main types of passenger vehicles, compared with the previous year, the sales of sedan cars and SUVs showed an increase of about 7%. Sales of commercial vehicles reached 4.8 million units, down by 6.6%, whereas the sales of new energy vehicles ("**NEV**") was 3.52 million units, up by 157.5% year on year, and accounted for only about 13.3% of the country's total sales in 2021, indicating a high potential growth. Thus, the NEV sector started to provide a solid support to the sales of vehicles in 2021 and this NEV market is going to accelerate to grow in the future.

The PRC government also lowered the value-added tax on used cars to just 0.5% until the end of 2023 and encouraged the finance sector to offer consumers more attractive credit services to revitalize the automobile industry. Furthermore, some cities granted a cash subsidy to car buyers. In 2021, China's annual automobile sales continued to account for more than one-third of the world's sales. It is such an important market that, in particular, the scale of NEV market in China accounted for more than 50% of all the NEVs sold worldwide in 2021. China's State Council planned a development blueprint for the NEV industry from 2021 to 2035, targeting a 20% share of NEV in the country's total sales by 2025. The proportion of NEV sales out of the total vehicle sales will rise to approximately 40% by 2030. In 2035, NEV will account for over 50% of the total vehicle sales. The entire industry continues the process of transformation and upgrading and therefore, we are optimistic to the future of our industry.

During the year, our Group tapped into the NEV market by forming a joint venture company ("**JVC**") with a subsidiary of Li Auto Inc., which is one of the leading NEV automakers in China. As mentioned above, the PRC has become the world's largest NEV market and in recent years, the PRC government has provided great support such as subsidies and implemented various favorable policies to drive the development of the NEV market. Purchasers of NEV will benefit from vehicle-related tax exemptions in China and certain local government policies in favor of NEV, such as no quota limitations for vehicle license plate application and exemption from traffic restrictions. Thus, the business of the JVC will be well supported. The participation of our Group in the JVC is a first strategic move to enter the NEV market. The JVC will at the same time serve as the platform for the long-term strategic cooperation between our Group and Li Auto Inc., which aims to provide a quality and stable supply of range extender engines (which are equipped with BMW technology) for use in NEV to be produced by Li Auto Inc. in the future.

We have been carrying out some re-engineering to our CE-family engines in order to pave a way out in the ever-changing automobile market in China. After almost two years of hard work, we have developed a NEV-compatible CE engines which are used in the range extender of the electric drive system for the next generation of NEV. It is planned to commence industrialization of the NEV-compatible CE engines in 2022. In addition, we are still working hard to explore more major NEV customers to adopt our NEV-compatible CE engines for range extension purpose. In simple terms, the range extender is an auxiliary power unit consisting of a small internal combustion engine coupled with an electric generator which is used to re-charge the battery pack of NEV. The power cut in certain areas in China in September last year sparkled the risk of commuting with pure electric vehicles as charging station suspended operation during rush hours. Subsequently, the sales of extended-range electric vehicle ("**E-REV**") showed an obvious growth and topped the table.

NEV-compatible CE engines are based on the upgrade version of the BMW's authorized Prince Engine prototype. We have obtained BMW authorization which is a prerequisite to the production of NEV-compatible CE engines and BMW has agreed to award to our Group the extension of the original authorization period to 2032. Based on the CE16/CE12 engine prototype, we are currently working on the following hybrid engine projects with various displacement, namely CE12M, CE15F, CE15R and B15 series which cater for E-REV, plug-in hybrid vehicle or hybrid electric vehicle. 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 2022 onwards. These engines will meet the requirements of the China 7 emission and Europe Real Driving Emission regulations, with good quality to be exported to other countries in the future.

BMW Prince Engine won the World's Best Ten Engines in eight consecutive years. CE engine adopted leading and mature technologies with strategic positioning of "high starting point, high quality, and high platform". 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, BMW quality philosophy and BMW quality standard. CE engine meets requirements of China 6b emission regulation and the fourth phase fuel consumption. The CE engine is applicable to SUV, passenger vehicle, MPV, A-class vehicle models, etc. At present, all our branded traditional and CE engines are China 6 emission standard compliant.

As disclosed in the interim report for the six months ended 30 June 2021, in view of the diminished demand of vehicle upgrade with high-end combustion engines, our long term customers have not rolled out new models with fuel-driven engine models and this affected sales volumes of our traditional and the CE engines. In 2021, the Group recorded a total sales of approximately RMB1,462.78 million, representing a decrease of approximately 14.56% as compared to 2020. On the other hand, the increase in sales of crankshafts by approximately 7.26%, amounting to approximately RMB778.87 million, was attributable to the continual increase in the demand by BMW Brilliance Automotive for our Group's Bx8 crankshafts. Some of our customers experienced financial difficulty in their operation and disrupted their production cycles, and the ripple effect caused impairment in our certain trade receivables. Also, there are impairment in intangible assets, property, plant and equipment and inventories, which led to a net loss attributable to owners of the Company of approximately RMB392.77 million, representing a year-on-year reduction in loss of 51.43% as compared to a net loss of approximately RMB808.64 million in 2020. This was due to less impairment in trade receivables and increase in other income during the year. The scaling down of available banking facilities, issues with trade receivables and the decrease in traditional sales add pressure to the liquidity of our Group. We are seeking measures to alleviate the situation including sales of fixed assets, speeding up payment by customers, striving for renewal and extension of borrowings, and looking for new investors, etc. in order to go through this hard time. We expect that the liquidity issue will be resolved in due course.

As for the engine components business, the crankshaft production line for Bx8 engines and connecting rods production showed a continued growth in sales in 2021 when compared to 2020. The increase was due to more orders placed by BMW Brilliance Automotive during the year. BMW officially nominated us as the exclusive Bx8 engine crankshaft supplier and non-exclusive connecting rod supplier and the supply period will be until 2030, and the shared order of connecting rod production will be increased from 40% to 50%.

In addition, BMW has fully affirmed our pursuit of excellent quality, and it is another milestone in the development components business. So far, we have delivered over 3.0 million crankshafts and 7.0 million connecting rods to BMW. At the same time, we maintained high quality of customer after-sales service for seven consecutive years. We won the BMW "Quality Excellence Award" and became BMW's excellent supplier. We will continue to uphold the core values of being close to our customers, be responsible, open and transparent, and will through continuous innovation further enhance core competitiveness and push forward the development of our Group.

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 has already bottomed 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.

Our Group will continue to explore cooperation opportunities with BMW AG, BMW Brilliance Automotive, Li Auto Inc. and other business partners in the future to cope with the ever-changing automobile industry trend. In particular, our 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 2021, the Group achieved total consolidated sales of approximately RMB1,462.78 million, representing a decrease of approximately 14.56% compared to 2020 (approximately RMB1,711.96 million). The decrease was mainly due to the decrease in the sales of engines, despite the increase in the sales of Bx8 crankshafts. As Covid-19 continued to take its toll during the reporting year, the automobile industry was no exception. The decrease in sales of engines was due to lacklustre demand of engines from various automobile manufacturers during the year caused by the slowing economy. The increase in the sales of crankshafts was mainly due to the increase in the demand by BMW Brilliance Automotive for the Group's Bx8 crankshafts.

In respect of the engines business segment, the Group recorded approximately 44.43% decrease in segment revenue, from approximately RMB907.09 million in 2020 to approximately RMB504.09 million in 2021. Sales volume of engines decreased by approximately 33.12% from around 62,800 units in 2020 to around 42,000 units in 2021. The decrease was mainly due to the decrease in the sales of traditional gasoline, diesel engines and Prince Engines in 2021.

In respect of the engine components segment, the Group recorded approximately 19.11% increase in segment revenue, from approximately RMB804.86 million in 2020 to approximately RMB958.69 million in 2021. The increase was mainly due to more Bx8 crankshafts produced and supplied to BMW Brilliance Automotive during the year. The Group sold around 693,000 units of crankshafts in 2021, representing an increase of approximately 7.11% from around 647,000 units in 2020. There was also an increase in the demand for connecting rods. The Group sold around 1,030,000 units of connecting rods in 2021, up by approximately 3.94% from around 991,000 units in 2020.

The consolidated cost of sales in 2021 amounted to approximately RMB1,386.34 million, down by approximately 12.76% when compared to approximately RMB1,589.03 million recorded in 2020. The decrease in consolidated cost of sales was due to the decrease in sales revenue.

The gross profit margin of the Group decreased from approximately 7.18% in 2020 to approximately 5.23% in 2021, which was mainly due to the downward adjustment in sales price of engines while some of the fixed costs remained the same.

Impairment losses decreased from approximately RMB714.84 million in 2020 to approximately RMB298.88 million in 2021. The decrease was mainly due to less impairment of trade-related receivables based on the expected credit losses assessment performed by an independent qualified professional valuer.

Other gains and losses decreased from gains of approximately RMB18.98 million in 2020 to approximately gains of RMB5.07 million in 2021. The decrease was mainly due to less unrealized foreign exchange translation gain recognized in 2021.

Selling and distribution expenses decreased by approximately 45.83%, from approximately RMB32.10 million in 2020 to approximately RMB17.39 million in 2021, representing approximately 1.87% and approximately 1.19% of the revenue in 2020 and 2021, respectively. The decrease in value was mainly due to the decrease in sales staff expense during 2021.

Administrative expenses increased by approximately 39.75%, from approximately RMB142.49 million in 2020 to approximately RMB199.13 million in 2021, representing approximately 8.32% and approximately 13.61% of the revenue in 2020 and 2021, 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 7.31%, from approximately RMB62.97 million in 2020 to approximately RMB58.37 million in 2021. The decrease was mainly due to more repayment of borrowings during the year.

Other expenses increased by approximately 3.62% from approximately RMB16.04 million in 2020 to approximately RMB16.62 million in 2021, which was mainly due to the increase in research expenses incurred in 2021.

The Group's loss before tax was approximately RMB796.70 million in 2020 whereas the Group's loss before tax was approximately RMB399.66 million in 2021.

Income tax expenses was approximately RMB11.94 million in 2020 whereas there was income tax credit of approximately RMB6.89 million in 2021. The change was mainly due to the movement of deferred tax assets.

For the year 2021, the loss attributable to owners of the Company was approximately RMB392.77 million, as compared to a net loss of approximately RMB808.64 million for the year ended 31 December 2020. Basic loss per share in 2021 amounted to approximately RMB0.306, as compared to basic loss per share of approximately RMB0.631 in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had approximately RMB12.85 million in cash and cash equivalents (31 December 2020: RMB55.29 million), and approximately RMB250.62 million in pledged bank deposits (31 December 2020: RMB486.63 million). The Group had trade and other payables of approximately RMB822.76 million (31 December 2020: RMB1,182.81 million), borrowings due within one year in the amount of approximately RMB1,068.23 million (31 December 2020: RMB1,067.47 million), and borrowings due after one year in the amount of approximately RMB172.06 million (31 December 2020: RMB320.39 million).

CAPITAL STRUCTURE

As at 31 December 2021, the Group's total assets was approximately RMB3,964.83 million (31 December 2020: RMB5,006.75 million), which was funded by the following: (1) share capital of approximately RMB10.46 million (31 December 2020: RMB10.46 million), (2) reserves of approximately RMB1,780.16 million (31 December 2020: RMB2,173.09 million) and (3) total liabilities of approximately RMB2,174.21 million (31 December 2020: RMB2,823.20 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 2021, the Group pledged certain of its receivables with an aggregate gross amount, before impairment loss, of approximately RMB82.64 million (31 December 2020: RMB247.89 million) to secure general banking facilities granted to the Group.

As at 31 December 2021, the Group has pledged certain land use rights, buildings, plant and machinery with an aggregate carrying value of approximately RMB890.14 million (31 December 2020: RMB210.35 million) to certain banks to secure general banking facilities and other borrowing granted to the Group.

As at 31 December 2021, the Group pledged bank deposits in the amount of approximately RMB250.62 million (31 December 2020: RMB486.63 million) to secure general banking facilities and other borrowing granted to the Group.

GEARING RATIO

As at 31 December 2021, the debt-to-equity ratio, computed by dividing total liabilities by total equity attributable to owners of the Company, was approximately 1.21 (31 December 2020: 1.29). The decrease in the debt-to-equity ratio was mainly due to the decrease in borrowings and payables in 2021.

As at 31 December 2021, the gearing ratio, computed by dividing borrowings by total equity attributable to owners of the Company, was approximately 69.27% (31 December 2020: 63.56%). The increase in gearing ratio was mainly due to the decrease in reserves as a result of significant losses incurred in 2021, despite decrease in borrowings as a result of continual repayment of loans in 2021.

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 2021, the Group employed approximately 1,130 employees (31 December 2020: approximately 1,270 employees). Employee costs amounted to approximately RMB127.69 million for the year ended 31 December 2021 (31 December 2020: approximately RMB137.44 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

As disclosed in the Company's announcement dated 27 August 2021, Mianyang Xinchen, a wholly-owned subsidiary of the Company, entered into the Investment Agreement with Beijing CHJ (a company established in the PRC and controlled by Li Auto Inc.), an independent third party of the Company, in relation to the formation of Li Xinchen in Mianyang City, Sichuan Province, the PRC. The JVC shall principally engage in the manufacture, research and development, sales, provision of after-sales services of range extender engines and parts which are suitable for NEV, as well as the manufacture of other NEV-compatible gasoline engines.

Save as disclosed in the above announcement, there were no other significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2021.

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitments of approximately RMB561.08 million (31 December 2020: RMB250.54 million), among which contracted capital commitments amounted to approximately RMB345.74 million (31 December 2020: RMB43.22 million), which is primarily related to capital expenditure in respect of acquisition of property, plant and equipment, capital injection to an associate 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 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 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held at 9:00 a.m. on Thursday, 23 June 2022.

The Hong Kong branch register of members of the Company will be closed from Monday, 20 June 2022 to Thursday, 23 June 2022, 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 Monday, 20 June 2022 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 Friday, 17 June 2022.

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 2021.

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 2021.

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 2021.

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 2021.

At present, the audit committee comprises Mr. Chi Guohua, Mr. Wang Jun and Mr. Huang Haibo, 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 2021 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: Mr. Han Song and Mr. Yang Ming; and three independent non-executive directors: Mr. Chi Guohua, Mr. Wang Jun and Mr. Huang Haibo.

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

Hong Kong, 25 March 2022

* *for identification purposes only*