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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the "**Board**") of Xinchen China Power Holdings Limited (the "**Company**") announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2024

		Six months ended	
	Notes	**30.6.2024** ***RMB'000*** **(unaudited)**	30.6.2023 *RMB'000* (unaudited)
Revenue	*3*	**2,619,532**	2,249,808
Cost of sales		**(2,509,663)**	(2,142,648)
Gross profit		**109,869**	107,160
Other income	*4*	**26,748**	11,508
Reversal of impairment losses, net	*5*	**49,117**	1,587
Other gains and losses	*6*	**(588)**	2,430
Selling and distribution expenses		**(16,559)**	(14,721)
Administrative expenses		**(81,803)**	(73,569)
Other expenses		**(15,105)**	(9,391)
Finance costs		**(27,714)**	(30,958)
Share of (loss)/profit of associate		**(20,154)**	31,221
Profit before tax	*7*	**23,811**	25,267
Income tax expense	*8*	**(1,686)**	(3,525)
Profit for the period		**22,125**	21,742

	Notes	Six months ended **30.6.2024** ***RMB'000*** **(unaudited)**	30.6.2023 *RMB'000* (unaudited)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on:			
Receivables measured at fair value through other comprehensive income ("**FVTOCI**")		**–**	22
Other comprehensive income for the period		**–**	22
Total comprehensive income for the period		**22,125**	21,764
Earnings per share – Basic *(RMB)*	*10*	**0.017**	0.017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Notes	**30.6.2024** *RMB'000* **(unaudited)**	31.12.2023 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,085,636**	1,121,871
Right-of-use assets		**355,752**	406,574
Prepaid lease payments		**111,582**	113,574
Interest in an associate		**271,722**	291,876
Intangible assets	*11*	**514,175**	535,341
Deferred tax assets		**9,559**	10,583
Loan to a shareholder		**9,608**	8,811
		2,358,034	2,488,630
CURRENT ASSETS			
Inventories		**468,058**	482,997
Trade and other receivables	*12*	**2,012,011**	2,369,834
Amounts due from related companies	*13*	**15,810**	30,720
Pledged/restricted bank deposits		**186,184**	105,083
Bank balances and cash		**41,369**	23,839
		2,723,432	3,012,473
TOTAL ASSETS		**5,081,466**	5,501,103

	Notes	**30.6.2024** ***RMB'000*** **(unaudited)**	31.12.2023 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade and other payables	*14*	**512,811**	545,134
Amounts due to related companies	*15*	**65,181**	88,682
Amount due to an associate		**1,605,662**	1,996,281
Borrowings due within one year		**640,406**	536,589
Lease liabilities	*16*	**137,343**	140,037
Tax payable		**2,457**	1,440
		2,963,860	3,308,163
NET CURRENT LIABILITIES		**(240,428)**	(295,690)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,117,606**	2,192,940
NON-CURRENT LIABILITIES			
Borrowings due after one year		**35,008**	64,235
Lease liabilities	*16*	**331,276**	397,797
Deferred income		**13,178**	14,889
		379,462	476,921
NET ASSETS		**1,738,144**	1,716,019
CAPITAL AND RESERVES			
Share capital	*17*	**10,457**	10,457
Reserves		**1,727,687**	1,705,562
TOTAL EQUITY		**1,738,144**	1,716,019

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on a going concern basis, notwithstanding the fact that the Group had net current liabilities of approximately RMB240,428,000 as at 30 June 2024.

The condensed consolidated interim 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 Automotive Holdings Limited ("**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 condensed 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. Up to the date of approval of these condensed 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; 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, (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 date of approval of these condensed consolidated financial statements after having taking 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 condensed consolidated financial statements for the six months ended 30 June 2024 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 shareholders.

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 condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Amended Hong Kong Financial Reporting Standard(s) ("HKFRS(s)") that are effective for annual periods beginning or after 1 January 2024

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of these 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.

Issued but not yet effective HKFRSs

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The directors expected that the new and amended HKFRSs issued but not effective are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

3. 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 or services provided.

The Group's operation and main revenue streams are those described in the latest annual financial statements. The Group's revenue is derived from contracts with customers. Revenue for sale 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.

3.1 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, which are produced by using similar production processes and are distributed and sold to similar classes of customers, the financial 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:

	Segment revenue		**Segment results**	
	Six months ended		**Six months ended**	
	30.6.2024	30.6.2023	**30.6.2024**	30.6.2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gasoline engines	**2,174,521**	1,809,884	**30,439**	31,357
Diesel engines	**46,652**	40,215	**(2,150)**	(4,899)
Engine components	**398,359**	399,709	**81,580**	80,702
Total segment and consolidated	**2,619,532**	2,249,808	**109,869**	107,160
Other income			**26,748**	11,508
Reversal of impairment losses, net			**49,117**	1,587
Other gains and losses			**(588)**	2,430
Selling and distribution expenses			**(16,559)**	(14,721)
Administrative expenses			**(81,803)**	(73,569)
Other expenses			**(15,105)**	(9,391)
Finance costs			**(27,714)**	(30,958)
Share of (loss)/profit of associate			**(20,154)**	31,221
Profit before tax			**23,811**	25,267

Revenue reported above represents revenue generated from sale of goods or service provision to external customers. There were no inter-segment sales during the six months ended 30 June 2024 and 2023.

Segment results represent the profit earned by each segment before the allocation of other income, reversal of impairment losses, other gains and losses, selling and distribution expenses, administrative expenses, other expenses, finance costs and share of (loss)/profit of associate. This is the measure reported to the Board for the purpose of resource allocation and performance assessment.

3.2 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 operating segment are not presented.

3.3 Geographical information

The majority of the Group's operations and non-current assets are located in the People's Republic of China (the "**PRC**"); and all of the Group's revenue from external customers is generated in the PRC, which is the country of domicile of Mianyang Xinchen Engine Co., Limited*（綿陽新晨動力機械有限公司）("**Mianyang Xinchen**") and its subsidiary.

4. OTHER INCOME

	Six months ended	
	30.6.2024	30.6.2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**966**	921
Additional recoverable value-added tax granted by local tax bureau	**6,379**	–
Government grants	**11,226**	2,954
Imputed interest income from loan to a shareholder	**535**	499
Rental income under operating leases	**4,560**	4,664
Utility income	**3,082**	2,470
	26,748	11,508

5. REVERSAL OF IMPAIRMENT LOSSES, NET

	Six months ended	
	30.6.2024	30.6.2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses reversed/(recognised) on:		
– Trade and other receivables *(Note 12)*	**11,779**	(2,124)
– Amounts due from related companies *(Note 13)*	**37,338**	3,711
	49,117	1,587

6. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2024	30.6.2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange gains, net	**–**	92
Gain on disposal of miscellaneous materials	**2,120**	3,301
(Loss)/gain on disposal of property, plant and equipment *(Note 11)*	**(1,308)**	230
Net loss arising on receivables measured at FVTOCI	**(1,400)**	(1,200)
Others	**–**	7
	(588)	2,430

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended	
	30.6.2024	30.6.2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Employee benefits expenses (including directors):		
– Salaries and other benefits	**50,381**	49,299
– Retirement benefit scheme contributions	**12,282**	12,749
Total staff costs	**62,663**	62,048
Depreciation of right-of-use assets	**50,822**	51,923
Depreciation of property, plant and equipment	**48,087**	47,031
Depreciation of prepaid lease payments	**1,992**	2,060
Amortisation of intangible assets	**30,007**	23,826
Total depreciation and amortisation	**130,908**	124,840

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2024	30.6.2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Current tax	**662**	428
– Deferred tax	**1,024**	3,097
	1,686	3,525

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 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% during the six months ended 30 June 2024 and 2023.

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

9. DIVIDENDS

No dividend has been paid or declared by the Company during both periods ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2024	30.6.2023
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(RMB'000)*	**22,125**	21,742
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,282,211,794**	1,282,211,794

No diluted earnings per share are presented as there was no potential dilutive ordinary share outstanding during the periods or as at the end of reporting periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current interim period, the Group acquired property, plant and equipment, other than construction in progress, amounting to approximately RMB984,000 (six months ended 30 June 2023: approximately RMB35,000) for the purpose of upgrading its manufacturing capacity of the Group. During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB3,344,000 (six months ended 30 June 2023: approximately RMB1,045,000) resulting in a loss on disposal of approximately RMB1,308,000 (six months ended 30 June 2023: gain on disposal of approximately RMB230,000).

In addition, during current interim period, the Group had approximately RMB14,211,000 (six months ended 30 June 2023: approximately RMB11,256,000) addition to construction in progress, primarily for scaling up the Group's production facilities and capacity.

During the current interim period, the Group capitalised development costs of technical know-how of new automotive engines amounting to approximately RMB8,841,000 (six months ended 30 June 2023: approximately RMB9,631,000) for the purposes of expanding its products range of gasoline and diesel engines.

As at 30 June 2024, the carrying amounts of the Group's right-of-use assets in respect of office premises and production facilities amounted to approximately RMB355,752,000 (31 December 2023: approximately RMB406,574,000).

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**2,213,547**	2,585,795
Less: Allowance for credit losses	**(292,894)**	(304,673)
Trade receivables, net	**1,920,653**	2,281,122
Bills receivable	**52,165**	35,907
Less: Allowance for credit losses	**–**	–
Total trade and bills receivables	**1,972,818**	2,317,029
Prepayments for purchase of raw materials and engine components	**26,775**	35,122
Other receivables	**12,418**	17,683
Less: Allowance for credit losses	**–**	–
	2,012,011	2,369,834

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 expected credit losses ("**ECL**") allowance, presented based on the invoice date as at the end of the reporting period:

	30.06.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**1,303,956**	1,706,423
Over 1 month but within 2 months	**47,960**	7,782
Over 2 months but within 3 months	**445,620**	40,790
Over 3 months but within 6 months	**116,569**	524,700
Over 6 months but within 1 year	**525**	49
Over 1 year	**6,023**	1,378
	1,920,653	2,281,122

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

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**34,724**	12,337
Over 3 months but within 6 months	**16,958**	23,570
Over 6 months but within 1 year	**483**	–
	52,165	35,907

At 30 June 2024 and 31 December 2023, the Group assessed the impairment of its customers based on provision matrix. The table below provided information about the exposure to credit risk and ECL for trade receivables which were assessed based on provision matrix as at 30 June 2024 and 31 December 2023:

30 June 2024

	Gross carrying amount	**Loss rate range**	**ECL**
	RMB'000	***%***	***RMB'000***
	(unaudited)		**(unaudited)**
Not past due	**1,307,148**	**0.84-2.07**	**3,192**
Past due:			
Within 1 month	**48,976**	**0.84-7.89**	**1,016**
Over 1 month but within 3 months	**445,796**	**2.07-7.89**	**176**
Over 3 months but within 6 months	**116,746**	**2.07-7.89**	**177**
Over 6 months but within 1 year	**570**	**7.89-35.44**	**45**
Over 1 year	**294,311**	**35.44-100.00**	**288,288**
	2,213,547		**292,894**

31 December 2023

	Gross carrying amount	Loss rate range	ECL
	RMB'000	*%*	*RMB'000*
	(audited)		(audited)
Not past due	1,715,844	0.79-4.75	1,922
Past due:			
Within 1 month	41,858	1.31-4.75	873
Over 1 month but within 3 months	478,252	2.07-4.75	575
Over 3 months but within 6 months	46,886	4.75-35.44	6
Over 6 months but within 1 year	1,166	4.75-35.44	92
Over 1 year	301,789	35.44-100.00	301,205
	2,585,795		304,673

Movement in the ECL of trade receivables:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning of the reporting period/year	**304,673**	299,539
ECL recognised	**–**	5,452
Reversal of ECL	**(11,779)**	–
Amount written off	**–**	(318)
At the end of the reporting period/year	**292,894**	304,673

13. AMOUNTS DUE FROM RELATED COMPANIES

Analysed as:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-trade related	**25**	25
Trade related	**15,785**	30,695
	15,810	30,720

The trade related amounts due from related companies are with details as follows:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Brilliance China Group#		
Shenyang XingYuanDong Automobile Component Co., Ltd.* 瀋陽興遠東汽車零部件有限公司	**1,503**	1,503
Wuliangye Group##		
Mianyang Xinhua Internal Combustion Engine Joint Stock Company Limited* 綿陽新華內燃機股份有限公司 ("**Xinhua Combustion Engine**")	**14,282**	29,192
	15,785	30,695

\# *Brilliance China and its subsidiaries collectively referred to as "**Brilliance China Group**"*

\## *Sichuan Province Yibin Wuliangye Group Co., Ltd.* (四川省宜賓五糧液集團有限公司) ("**Wuliangye**") and its subsidiaries collectively referred to as "**Wuliangye Group**"*

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9. To measure the ECL of amounts due from related companies, the balances have been assessed based on individual assessment. As at 30 June 2024, the Group assessed the credit rating for its customers and applying the expected loss rate ranging from 0.1% to 100% (31 December 2023: 0.1% to 100%) over the gross carrying amounts. As at 30 June 2024, ECL allowance amounting to approximately RMB267,550,000 (31 December 2023: approximately RMB649,452,000) was recognised based on individual assessment by reference to the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Movement in the ECL:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning of the reporting period/year	**649,452**	652,823
ECL reversed	**(37,338)**	(3,709)
ECL recognised	**–**	338
Write-off of ECL	**(344,564)**	–
At the end of the reporting period/year	**267,550**	649,452

14. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**265,541**	316,036
Bills payable	**184,907**	163,845
Total trade and bills payables	**450,448**	479,881
Construction payables	**5,382**	5,846
Payroll and welfare payables	**9,661**	17,954
Advances from customers *(Note i)*	**14,295**	9,483
Provision for warranty *(Note ii)*	**9,222**	9,487
Retention money	**12,762**	11,801
Provision for operating expenses	**3,916**	3,716
Other payables	**7,125**	6,966
	512,811	545,134

Notes:

i. As at 30 June 2024 and 31 December 2023, the balance represented the contract liabilities, i.e. the Group's obligation to transfer goods or services to customers for which the Group had received consideration from the customers. During the period ended 30 June 2024, the contract liabilities balance at the beginning of the period were fully recognised as revenue from sale of goods.

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

The credit period of trade payables and bills payable is 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 as at the end of the reporting period:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**225,272**	237,052
Over 3 months but within 6 months	**21,338**	29,939
Over 6 months but within 1 year	**4,921**	10,282
Over 1 year but within 2 years	**6,445**	14,369
Over 2 years	**7,565**	24,394
	265,541	316,036

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

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**118,507**	85,591
Over 3 months but within 6 months	**66,400**	78,254
	184,907	163,845

15. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related:		
Huachen Group#		
Huachen Automotive Group Holdings Company Limited* 華晨汽車集團控股有限公司 ("**Huachen Automotive**")	**610**	610
Shenyang Brilliance Power Train Machinery Co., Ltd* 瀋陽華晨動力機械有限公司	**–**	155
	610	765
Brilliance China Group		
Mianyang Brilliance Ruian Automotive Components Co., Ltd.* 綿陽華晨瑞安汽車零部件有限公司	**3,651**	3,237
Shenyang ChenFa Automobile Component Co., Ltd* 瀋陽晨發汽車零部件有限公司	**–**	3,583
Shenyang Jinbei Vehicle Dies Manufacturing Co., Ltd.* 瀋陽金杯汽車模具製造有限公司	**–**	15
	3,651	6,835

*Huachen Automotive and its subsidiaries collectively referred to as "**Huachen Group**"*

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Wuliangye Group		
Xinhua Combustion Engine	**58,363**	78,570
Mianyang Xin Xinmao Trading Co., Ltd.* 綿陽新鑫茂商貿有限公司	**21**	21
	58,384	78,591
	62,645	86,191

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-trade related:		
Brilliance China Group		
Brilliance China	**2,536**	2,491
	65,181	88,682

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related balances analysed as:		
Trade payables	**8,934**	39,372
Bills payable	**53,711**	46,819
	62,645	86,191

The aging of trade related amounts due to related companies presented based on the invoice date at the end of the reporting period is as follows:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**6,938**	34,452
Over 3 months but within 6 months	**1,213**	384
Over 1 year	**783**	4,536
	8,934	39,372

The bills payable are guaranteed by banks in the PRC and have maturities of 3 to 6 months. The following is an aging analysis of bills payable (trade related) presented based on the issuance date of bills at the end of the reporting period:

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**30,758**	36,045
Over 3 months but within 6 months	**22,953**	10,774
	53,711	46,819

The trade related amounts are interest-free, unsecured and with credit period of 3 to 6 months.

The non-trade related amounts are interest-free, unsecured and repayable on demand.

16. LEASE LIABILITIES

	30.6.2024	31.12.2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Total minimum lease payments:		
Due within one year	**155,960**	161,850
Due in the second to fifth years	**350,717**	425,752
	506,677	587,602
Future finance charges on leases liabilities	**(38,058)**	(49,768)
Present value of leases liabilities	**468,619**	537,834

17. SHARE CAPITAL

	Number of shares	Amount *HK$*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	8,000,000,000	80,000,000
Issued and fully paid:		
At 31 December 2023 and 30 June 2024	1,282,211,794	12,822,118

	30.6.2024 ***RMB'000*** **(unaudited)**	31.12.2023 *RMB'000* (audited)
Share capital presented in the condensed consolidated statement of financial position	**10,457**	10,457

MANAGEMENT'S DISCUSSION & ANALYSIS

Business review

In the first half of 2024, the Group achieved total unaudited revenue of approximately RMB2,619.53 million, representing an increase of approximately 16.43% compared to approximately RMB2,249.81 million for the corresponding period last year. The increase in revenue was mainly due to an increase in the trading of extended range gasoline engines during the period.

Sales volume of engines increased by approximately 34.62%, from approximately 156,000 units in the first half of 2023 to approximately 210,000 units in the first half of 2024, mainly due to the increase in trading of extended range gasoline engines.

With respect to the engines business segment, the Group recorded approximately 20.05% increase in the segment revenue, from approximately RMB1,850.10 million in the first half of 2023 to approximately RMB2,221.17 million in the first half of 2024. The increase was mainly due to an increase in the trading of extended range gasoline engines.

With respect to the engine components segment, the Group recorded approximately 0.34% decrease in the segment revenue, from approximately RMB399.71 million in the first half of 2023 to approximately RMB398.36 million in the first half of 2024. The Group sold approximately 378,000 units of crankshaft in the first half of 2024, representing approximately 8.47% decrease compared to approximately 413,000 units for the corresponding period of 2023. The decrease was mainly due to the reduction in demand of the customer because of the gradual shift from traditional engine models to the pure electric ones. This shortfall was mitigated by the sales of crankshaft for use in Li Auto.

The Group sold approximately 1,270,000 units of connecting rods in the first half of 2024, representing approximately 33.83% increase compared to approximately 949,000 units for the corresponding period of 2023. The increase in the sales volume of connecting rods was mainly due to increase in sales for use in Li Auto.

The unaudited cost of sales amounted to approximately RMB2,509.67 million in the first half of 2024, representing an increase of approximately 17.13% compared to approximately RMB2,142.65 million for the corresponding period last year. The increase was generally in line with the increase in the Group's total unaudited revenue.

The gross profit margin of the Group decreased as the volume of trading of extended range gasoline engines increased further which derived a slightly lower profit margin. It was approximately 4.19% in the first half of 2024 whilst it was approximately 4.76% in the first half of 2023.

The unaudited other income increased from approximately RMB11.51 million for the first half of 2023 to approximately RMB26.74 million for the first half of 2024, representing an increase of approximately 132.43%. The increase was mainly due to the increase in government grants received during the period.

There was an increase in reversal of impairment loss to approximately RMB49.12 million for the first half of 2024 whereas there was approximately RMB1.59 million reversal amount for the first half of 2023. The reversal was mainly due to the settlement of certain impaired amounts due from related companies in the first half of 2024.

The unaudited other gains and losses amounted to approximately a loss of RMB0.59 million for the first half of 2024 whereas there was a gain of approximately RMB2.43 million for the first half of 2023. The loss was mainly due to the net loss arising from receivables measured at fair value through other comprehensive income recognized and loss on disposal of certain fixed assets.

The unaudited selling and distribution expenses increased by approximately 12.49%, from approximately RMB14.72 million in the first half of 2023 to approximately RMB16.56 million in the first half of 2024, representing approximately 0.65% and approximately 0.63% of the revenue in the first half of 2023 and 2024 respectively. The increase in terms of value was mainly due to the increase in the sales of engines. The decrease in terms of percentage value was mainly due to a greater extent of increase in revenue during the period in 2024.

The unaudited administrative expenses increased by approximately 11.19%, from approximately RMB73.57 million in the first half of 2023 to approximately RMB81.80 million in the first half of 2024, representing approximately 3.27% and approximately 3.12% of the revenue in the first half of 2023 and 2024 respectively. The increase in value was mainly due to the increase in research expenses and the general increase in office expenses. The slight decrease in terms of percentage value was mainly due to a greater extent of increase in revenue during the period.

The unaudited finance costs decreased by approximately 10.48%, from approximately RMB30.96 million in the first half of 2023 to approximately RMB27.71 million in the first half of 2024. The decrease was mainly due to the decrease in finance charge on lease liabilities during the course of business.

The Group's unaudited profit before tax decreased by approximately 5.76%, from approximately RMB25.27 million in the first half of 2023 to approximately RMB23.81 million in the first half of 2024. This was mainly due to the increase of selling and distribution expenses, administrative expenses, research and development expenses and the share of loss of the associate during the period.

The unaudited income tax expenses decreased by 52.17%, from approximately RMB3.53 million for the first half of 2023 to approximately RMB1.69 million for the first half of 2024. The decrease was due to less deferred tax recognized during the period.

For the first half of 2024, the Group recorded unaudited profit attributable to the owners of the Company of approximately RMB22.13 million, representing an increase of approximately 1.79% compared to approximately RMB21.74 million for the corresponding period of 2023.

Liquidity and financial resources

As at 30 June 2024, the Group had approximately RMB41.37 million in bank balances and cash (31 December 2023: approximately RMB23.84 million), and approximately RMB186.18 million in pledged/restricted bank deposits (31 December 2023: approximately RMB105.08 million).

As at 30 June 2024, the Group had trade and other payables of approximately RMB512.81 million (31 December 2023: approximately RMB545.13 million), bank borrowings due within one year in the amount of approximately RMB640.41 million (31 December 2023: approximately RMB536.59 million), and bank borrowings due after one year in the amount of approximately RMB35.01 million (31 December 2023: approximately RMB64.24 million).

Pledge of assets

As at 30 June 2024, the Group pledged certain of its land use rights, buildings, plant and machinery with a total value of approximately RMB300.55 million (31 December 2023: approximately RMB310.04 million) to certain banks to secure certain credit facilities and the other borrowing granted to the Group.

As at 30 June 2024, the Group also pledged bank deposits of approximately RMB185.47 million (31 December 2023: approximately RMB104.01 million) to certain banks to secure certain credit facilities granted to the Group.

As at 30 June 2024, the Group has not pledged any trade receivables to secure general banking facilities granted to the Group.

Gearing ratio

As at 30 June 2024, the debt-to-equity ratio of the Group, computed by dividing total liabilities by total equity attributable to the equity owners of the Company, was approximately 1.92 (31 December 2023: approximately 2.21). The decrease in the debt-to-equity ratio was mainly due to the decrease in amount due to an associate in relation to the trading of extended range gasoline engines during the period.

As at 30 June 2024, the gearing ratio, computed by dividing borrowings by total equity attributable to owners of the Company, was approximately 38.86% (31 December 2023: approximately 35.01%). The slight increase in gearing ratio was mainly due to the increase in total bank borrowings during the period.

Contingent liabilities

During the period under review, 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 considered that the risk of default in payment of the endorsed and discounted bills receivable was low because all endorsed and discounted bills receivable were issued and guaranteed by reputable PRC banks.

Capital commitments

As at 30 June 2024, the Group had capital commitments of approximately RMB123.92 million (31 December 2023: approximately RMB127.28 million), among which contracted capital commitments amounted to approximately RMB92.3 million (31 December 2023: approximately RMB93.28 million), which is primarily related to the capital expenditure in respect of acquisition of property, plant and equipment, capital injection to an associate and new engine development.

Foreign exchange risks

The Group's functional currency is RMB. Since the Group has certain assets and liabilities, such as receivables, payables, cash and bank borrowings, denominated in foreign currencies, such as United States Dollar and Hong Kong Dollar, 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.

Employees and remuneration policy

As at 30 June 2024, the Group had approximately 935 employees (30 June 2023: approximately 983). Employee costs amounted to approximately RMB62.66 million for the six months ended 30 June 2024 (30 June 2023: approximately RMB62.05 million). The Group will endeavour 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.

Outlook

China's economy has shown a robust start in 2024, with 5 percent year-on-year gross domestic product growth during the first half of the year. This positive sign was attributable to the strong indicators in the industrial output and services sectors which coupled with the increase in foreign trade. The automobile manufacturing industry was one of the industrial sectors which contributed the growth. Despite the above mentioned, the first half of 2024 marked certain signs of economic slowdown primarily driven by prolonged difficulties in the property sector and heightened job security concerns, which subdued domestic demand. The PRC government continues to pledge the improvement of the business environment in order to bolster the automobile industry by way of vehicle purchase subsidies and tax exemption etc.

In the first half of 2024, the sales of the passenger vehicle segment of the automobile sector in the PRC continued to edge up year-over-year. According to the China Association of Automobile Manufacturers, the sales of passenger vehicle segment recorded a growth of 6.3% on a year-on-year basis whilst the sales of commercial vehicle segment recorded a growth of 4.9%. Passenger vehicles accounted for about 85.3% of the sales of the automobile sector. The growth of the passenger vehicle segment was mainly driven by an increase in demand for sport-utility vehicles ("**SUVs**"). The overall increase of 6.1% in the sales of vehicles was driven by an increase in sales of SUVs, sedan cars and commercial vehicles. The sales volume of new energy vehicles ("**NEVs**") was 4.94 million units, up by 31.7% year on year, and accounted for about 35.2% of the PRC's total sales volume in the first half of 2024.

During the reporting period, the Group continued to record an increase in sales which is mainly due to the increase in the trading of extended range gasoline engines produced by our joint venture company ("**JVC**") with Li Auto Inc., together with the increase in the sales of traditional gasoline, diesel engines and connecting rods during the period. The increase was in line with the trending up of major economic indicators of the PRC's automobile industry.

The extended range electric vehicle ("**EREV**") model continues to get popularity in the NEV market to an extent which has eaten into the share of sales of all-electric vehicles, as it showed a huge year-on-year growth in the plug-in hybrid vehicle category. The hot sales of Li Auto Inc.'s models L9, L8, L7 and L6 SUV are equipped with this technology. Li Auto Inc. is a pioneer in pushing the extended range technology to the forefront and EREVs are undergoing a sale explosion period. The latest L6 model can offer a range of 200 km on a single charge and over 1,300 km when using the combustion engine to extend the battery's range. Such a long range of running and price cut in recent periods explain why this new favorite continues to be widely recognized by the market. The Group anticipates that the JVC will continue to serve as the platform for the long-term strategic cooperation between the Group and Li Auto Inc. which aims to provide a quality and stable supply of extended range gasoline engines in the years to come. In addition, we are still working hard to explore more major NEV customers to adopt our NEV-compatible engines for range extension purpose.

Regarding the engine components business, the crankshaft production line for Bx8 engines showed a decrease in sales in the first half of 2024 when compared to the corresponding period in 2023. As reported by the media in the PRC, in the first half of 2024, sales volume of BMW vehicles showed 4.2% year-on-year decrease with approximately 375,900 units delivered and therefore the demand for finished crankshaft for Bx8 engines decreased correspondingly. In view of the downward trend of the engine component business, we are exploring other new customers and the component business for the NEVs.

As mentioned before, a purchase tax deduction until 31 December 2027 covers pure electric vehicles, fuel cell vehicles, and plug-in hybrid vehicles that include EREVs. Consumers who purchase some popular models will be granted an exemption from the purchase tax amounting to as much as RMB30,000 per NEV, but this exemption will be cut by half and capped at RMB15,000 per NEV purchase. This phased approach aims to maintain the momentum of the NEV market while gradually shifting towards more self-sustaining growth.

In July, the monthly sales volume of NEVs in the PRC exceeded that of fuel passenger vehicles for the first time, reaching 51.1%, a year-on-year increase of 15 percentage points. This means that in the terminal sales of passenger vehicles, the sales volume of NEVs has surpassed that of fuel vehicles and has become the mainstream of the market.

It is expected that the PRC's annual automobile sales will record about 3% year-over-year growth in 2024, reaching a new normal of 30 million annual sales. This will mainly be driven by the expected growth in NEVs and passenger vehicles. Given the high level of electrification and smartification, the emergence of Chinese automobile manufacturers and the competitive price-cutting strategy make those historical big names facing a shrink in the market share with thinner profit reported during the period. In the meantime, China has also surged to become the world's biggest car exporter, with much demand coming from developing markets such as Southeast Asia in the first place. We expect to see firm support for the automobile market development in the second half of this year.

The Company is exploring new investment opportunities to diversify the product portfolio and the income sources in order to maintain its core competitiveness.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

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 Part 2 of Appendix C1 to the Listing Rules. The Company has complied with all code provisions of the CG Code throughout the six months ended 30 June 2024.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2024.

At present, the audit committee comprises Mr. Chi Guohua, Mr. Wang Jun and Ms. Dong Yan, all of whom are independent non-executive directors. Mr. Chi Guohua is the chairman of the audit committee.

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. Deng Han *(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 Ms. Dong Yan.

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

Hong Kong, 21 August 2024

* *for identification purposes only*