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 2025

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 2025 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2025

		Six months ended	
	Notes	**30.6.2025** ***RMB'000*** **(unaudited)**	30.6.2024 *RMB'000* (unaudited)
Revenue	*3*	**2,804,434**	2,619,532
Cost of sales		**(2,672,046)**	(2,509,663)
Gross profit		**132,388**	109,869
Other income	*4*	**27,264**	26,748
(Impairment losses)/Reversal of impairment losses, net	*5*	**(166)**	49,117
Other gains and losses	*6*	**(1,809)**	(588)
Selling and distribution expenses		**(14,257)**	(16,559)
Administrative expenses		**(89,856)**	(81,803)
Other expenses		**(8,142)**	(15,105)
Finance costs		**(19,774)**	(27,714)
Share of loss of associate		**(7,901)**	(20,154)
Profit before tax	*7*	**17,747**	23,811
Income tax expense	*8*	**(1,254)**	(1,686)
Profit for the period		**16,493**	22,125

	Notes	Six months ended **30.6.2025** ***RMB'000*** **(unaudited)**	30.6.2024 *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**")		**36**	–
Total comprehensive income for the period		**16,529**	22,125
Earnings per share – Basic *(RMB)*	*10*	**0.013**	0.017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

	Notes	**30.6.2025** ***RMB'000*** **(unaudited)**	31.12.2024 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,025,431**	1,062,827
Right-of-use assets		**255,151**	307,075
Prepaid lease payments		**107,394**	109,453
Interest in an associate		**263,822**	271,723
Intangible assets	*11*	**456,407**	482,263
Deferred tax assets		**7,812**	8,535
Loan to a shareholder		**6,514**	6,125
		2,122,531	2,248,001
CURRENT ASSETS			
Inventories		**553,186**	479,583
Trade and other receivables	*12*	**2,110,207**	2,528,579
Receivables measured at FVTOCI		**–**	12,159
Amounts due from related companies	*13*	**52,309**	22,395
Pledged/restricted bank deposits		**122,258**	101,422
Bank balances and cash		**92,457**	85,570
		2,930,417	3,229,708
TOTAL ASSETS		**5,052,948**	5,477,709

	Notes	**30.6.2025** *RMB'000* **(unaudited)**	31.12.2024 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade and other payables	*14*	**611,642**	566,350
Amounts due to related companies	*15*	**59,778**	48,022
Amount due to an associate		**1,627,864**	2,095,348
Borrowings due within one year		**484,336**	446,153
Lease liabilities	*16*	**136,184**	136,731
Tax payable		**38**	398
		2,919,842	3,293,002
NET CURRENT ASSETS/(LIABILITIES)		**10,575**	(63,294)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,133,106**	2,184,707
NON-CURRENT LIABILITIES			
Borrowings due after one year		**157,500**	156,751
Lease liabilities	*16*	**196,147**	263,211
Deferred income		**8,776**	10,591
		362,423	430,553
NET ASSETS		**1,770,683**	1,754,154
CAPITAL AND RESERVES			
Share capital	*17*	**10,457**	10,457
Reserves		**1,760,226**	1,743,697
TOTAL EQUITY		**1,770,683**	1,754,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2025

1. BASIS OF PREPARATION

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 are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

Amended HKFRS Accounting Standards that are effective for annual period beginning on 1 January 2025

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 2025 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the Amendments to HKAS 21 "Lack of Exchangeability" which are effective as of 1 January 2025.

The amendments to HKAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. Besides, the amendments also require an entity to disclose additional information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments did not have a material impact on the condensed consolidated interim financial statements of the Group.

Issued but not yet effective HKFRS Accounting Standards

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRS Accounting Standards 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 HKFRS Accounting Standards 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**	
	30.6.2025	30.6.2024	**30.6.2025**	30.6.2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gasoline engines	**2,389,029**	2,174,521	**74,051**	30,439
Diesel engines	**53,832**	46,652	**5,929**	(2,150)
Engine components	**361,573**	398,359	**52,408**	81,580
Total segment and consolidated	**2,804,434**	2,619,532	**132,388**	109,869
Other income			**27,264**	26,748
(Impairment losses)/Reversal of impairment losses, net			**(166)**	49,117
Other gains and losses			**(1,809)**	(588)
Selling and distribution expenses			**(14,257)**	(16,559)
Administrative expenses			**(89,856)**	(81,803)
Other expenses			**(8,142)**	(15,105)
Finance costs			**(19,774)**	(27,714)
Share of loss of associate			**(7,901)**	(20,154)
Profit before tax			**17,747**	23,811

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 2025 and 2024.

Segment results represent the profit earned by each segment before the allocation of other income, (impairment losses)/reversal of impairment losses, other gains and losses, selling and distribution expenses, administrative expenses, other expenses, finance costs and share of loss 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 ("**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	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**1,125**	966
Bad debt recovered	**5,412**	–
Additional recoverable value-added tax granted by local tax bureau	**4,034**	6,379
Compensation income	**5,700**	–
Government grants	**3,883**	11,226
Imputed interest income from loan to a shareholder	**558**	535
Rental income under operating leases	**4,349**	4,560
Utility income	**2,203**	3,082
	27,264	26,748

5. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES, NET

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses (recognised)/reversed on:		
– Trade and other receivables *(Note 12)*	**(166)**	11,779
– Amounts due from related companies *(Note 13)*	**–**	37,338
	(166)	49,117

6. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange gains, net	**7**	–
Gain on disposal of miscellaneous materials	**2,418**	2,120
Loss on disposal of property, plant and equipment *(Note 11)*	**(3,577)**	(1,308)
Net loss arising on receivables measured at FVTOCI	**(657)**	(1,400)
	(1,809)	(588)

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Employee benefits expenses (including directors):		
– Salaries and other benefits	**52,209**	50,381
– Retirement benefit scheme contributions	**13,835**	12,282
Total staff costs	**66,044**	62,663
Depreciation of right-of-use assets	**51,924**	50,822
Depreciation of property, plant and equipment	**42,419**	48,087
Depreciation of prepaid lease payments	**2,060**	1,992
Amortisation of intangible assets (included in cost of sales)	**35,448**	30,007
Total depreciation and amortisation	**131,851**	130,908

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Current tax	**1,977**	662
– Deferred tax	**(723)**	1,024
	1,254	1,686

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 2025 and 2024.

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 2025 and 2024, 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	
	30.6.2025	30.6.2024
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(RMB'000)*	**16,493**	22,125
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 RMB689,000 (six months ended 30 June 2024: approximately RMB984,000) 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 RMB3,888,000 (six months ended 30 June 2024: approximately RMB3,344,000) resulting in a loss on disposal of approximately RMB3,577,000 (six months ended 30 June 2024: approximately RMB1,308,000).

In addition, during current interim period, the Group had approximately RMB11,799,000 (six months ended 30 June 2024: approximately RMB14,211,000) 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 RMB9,592,000 (six months ended 30 June 2024: approximately RMB8,841,000) for the purposes of expanding its products range of gasoline and diesel engines.

As at 30 June 2025, the carrying amounts of the Group's right-of-use assets in respect of office premises and production facilities amounted to approximately RMB255,151,000 (31 December 2024: approximately RMB307,075,000).

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**2,185,417**	2,648,966
Less: Allowance for credit losses	**(294,573)**	(294,407)
Trade receivables, net	**1,890,844**	2,354,559
Bills receivable	**176,886**	122,114
Less: Allowance for credit losses	**–**	–
Total trade and bills receivables	**2,067,730**	2,476,673
Prepayments for purchase of raw materials and engine components	**32,930**	29,820
Other receivables	**9,547**	22,086
Less: Allowance for credit losses	**–**	–
	2,110,207	2,528,579

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:

	30.06.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**1,780,334**	2,297,558
Over 1 month but within 2 months	**100,842**	38,965
Over 2 months but within 3 months	**5,693**	5,055
Over 3 months but within 6 months	**2,693**	12,235
Over 6 months but within 1 year	**587**	104
Over 1 year	**695**	642
	1,890,844	2,354,559

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:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**106,718**	64,636
Over 3 months but within 6 months	**70,168**	57,478
Over 6 months but within 1 year	**–**	–
	176,886	122,114

At 30 June 2025 and 31 December 2024, 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 2025 and 31 December 2024:

30 June 2025

	Gross carrying amount *RMB'000* **(unaudited)**	**Loss rate range** *%*	**ECL** *RMB'000* **(unaudited)**
Not past due	**1,780,921**	**0.83-1.93**	**587**
Past due:			
Within 1 month	**101,698**	**0.83-1.93**	**855**
Over 1 month but within 3 months	**5,745**	**0.83-3.00**	**52**
Over 3 months but within 6 months	**2,717**	**0.83-3.00**	**24**
Over 6 months but within 1 year	**601**	**0.83-35.05**	**14**
Over 1 year	**293,735**	**35.05-100.00**	**293,041**
	2,185,417		**294,573**

31 December 2024

	Gross carrying amount *RMB'000* (audited)	Loss rate range *%*	ECL *RMB'000* (audited)
Not past due	2,340,323	0.83-1.93	1,282
Past due:			
Within 1 month	13,538	0.83-1.93	32
Over 1 month but within 3 months	457	0.83-3.00	12
Over 3 months but within 6 months	754	0.83-3.00	18
Over 6 months but within 1 year	355	0.83-35.05	8
Over 1 year	293,539	35.05-100.00	293,055
	2,648,966		294,407

Movement in the ECL of trade receivables:

	30.6.2025 *RMB'000* **(unaudited)**	31.12.2024 *RMB'000* (audited)
At the beginning of the reporting period/year	**294,407**	304,673
ECL recognised	**166**	–
Reversal of ECL	**–**	(10,266)
At the end of the reporting period/year	**294,573**	294,407

13. AMOUNTS DUE FROM RELATED COMPANIES

Analysed as:

	30.6.2025 *RMB'000* (unaudited)	31.12.2024 *RMB'000* (audited)
Non-trade related	**648**	26
Trade related	**51,661**	22,369
	52,309	22,395

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

	30.6.2025 *RMB'000* (unaudited)	31.12.2024 *RMB'000* (audited)
Huachen Group#		
Shenyang Brilliance Power Train Machinery Co., Ltd.* 瀋陽華晨動力機械有限公司	**11,143**	18,792
Huachen Automotive Group Holdings Company Limited* 華晨汽車集團控股有限公司 ("**Huachen Automotive**")	**–**	2,074
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**")	**39,015**	–
	51,661	22,369

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

\## *Brilliance China Automotive Holdings Limited 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) 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 2025, the Group assessed the credit rating for its customers and applying the expected loss rate ranging from 0.1% to 100% (31 December 2024: 0.1% to 100%) over the gross carrying amounts. As at 30 June 2025, ECL allowance amounting to approximately RMB267,211,000 (31 December 2024: approximately RMB267,211,000) 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:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning of the reporting period/year	**267,211**	649,452
Reversal of ECL	**–**	(88,169)
Amount written off	**–**	(294,072)
At the end of the reporting period/year	**267,211**	267,211

14. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**282,617**	246,313
Bills payable	**254,773**	242,557
Total trade and bills payables	**537,390**	488,870
Construction payables	**9,029**	7,688
Payroll and welfare payables	**13,940**	21,992
Advances from customers *(Note i)*	**18,445**	12,999
Provision for warranty *(Note ii)*	**13,671**	12,307
Retention money	**10,594**	10,552
Provision for operating expenses	**5,003**	4,500
Other payables	**3,570**	7,442
	611,642	566,350

Notes:

i. As at 30 June 2025 and 31 December 2024, 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 2025, 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:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**238,106**	216,634
Over 3 months but within 6 months	**17,735**	7,393
Over 6 months but within 1 year	**16,784**	3,856
Over 1 year but within 2 years	**1,318**	3,365
Over 2 years	**8,674**	15,065
	282,617	246,313

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:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**131,746**	91,674
Over 3 months but within 6 months	**60,043**	117,449
Over 6 months but within 1 year	**62,984**	33,434
	254,773	242,557

15. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related:		
Huachen Group		
Huachen Automotive	**610**	610
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	**4,551**	3,711
Shenyang ChenFa Automobile Component Co., Ltd* 瀋陽晨發汽車零部件有限公司	**3,583**	3,583
Shenyang Jinbei Vehicle Dies Manufacturing Co., Ltd.* 瀋陽金杯汽車模具製造有限公司	**15**	15
Shenyang Jinbei Automotive Company Limited* 金杯(瀋陽)汽車有限公司	**21,859**	–
	30,008	7,309

	30.6.2025 *RMB'000* (unaudited)	31.12.2024 *RMB'000* (audited)
Wuliangye Group		
Xinhua Combustion Engine	**28,057**	38,467
Sichuan Yibin Pushi Automotive Components Co., Ltd.* 四川省宜賓普什汽車零部件有限公司	**20**	20
	28,077	38,487
	58,695	46,406

	30.6.2025 *RMB'000* (unaudited)	31.12.2024 *RMB'000* (audited)
Non-trade related:		
Brilliance China Group		
Brilliance China	**1,083**	1,616
	59,778	48,022

	30.6.2025 *RMB'000* (unaudited)	31.12.2024 *RMB'000* (audited)
Trade related balances analysed as:		
Trade payables	**38,880**	10,907
Bills payable	**19,815**	35,499
	58,695	46,406

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:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**26,499**	6,315
Over 3 months but within 6 months	**7,977**	91
Over 6 months but within 1 year	**24**	121
Over 1 year	**4,380**	4,380
	38,880	10,907

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:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**8,735**	13,269
Over 3 months but within 6 months	**1,080**	22,230
Over 6 months but within 1 year	**10,000**	–
	19,815	35,499

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

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Total minimum lease payments:		
Due within one year	**148,582**	152,270
Due in the second to fifth years	**203,204**	275,681
	351,786	427,951
Future finance charges on leases liabilities	**(19,455)**	(28,009)
Present value of leases liabilities	**332,331**	399,942

17. SHARE CAPITAL

	Number of shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2024, 31 December 2024 and 30 June 2025	8,000,000,000	80,000,000
Issued and fully paid:		
At 31 December 2024 and 30 June 2025	1,282,211,794	12,822,118

	30.6.2025 ***RMB'000*** **(unaudited)**	31.12.2024 *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 2025, the Group achieved total unaudited revenue of approximately RMB2,804.44 million, representing an increase of approximately 7.06% compared to approximately RMB2,619.53 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 12.38%, from approximately 210,000 units in the first half of 2024 to approximately 236,000 units in the first half of 2025, mainly due to the increase in trading of extended range gasoline engines.

With respect to the engines business segment, the Group recorded approximately 9.98% increase in the segment revenue, from approximately RMB2,221.17 million in the first half of 2024 to approximately RMB2,442.86 million in the first half of 2025. 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 9.23% decrease in the segment revenue, from approximately RMB398.36 million in the first half of 2024 to approximately RMB361.57 million in the first half of 2025. The decrease in revenue was mainly due to the reduction in demand from customers because of the gradual shift from traditional engine models to the pure electric ones. The Group sold approximately 191,000 units of Bx8 crankshaft in the first half of 2025, representing approximately 15.85% decrease compared to approximately 227,000 units for the corresponding period of 2024.

The Group sold approximately 387,000 units of Bx8 connecting rods in the first half of 2025, representing approximately 17.31% decrease compared to approximately 468,000 units for the corresponding period of 2024. The decrease in the sales volume of Bx8 connecting rods was mainly due to decrease in sales volume for use by BMW models.

The unaudited cost of sales amounted to approximately RMB2,672.05 million in the first half of 2025, representing an increase of approximately 6.47% compared to approximately RMB2,509.67 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 increased as the sales of traditional gasoline and diesel engines increased which derived a slightly higher profit margin. It was approximately 4.72% in the first half of 2025 whilst it was approximately 4.19% in the first half of 2024.

The unaudited other income increased from approximately RMB26.74 million for the first half of 2024 to approximately RMB27.26 million for the first half of 2025, representing a slight increase of approximately 1.93%.

There was a substantial decrease in reversal of impairment loss during the period. An impairment loss of approximately RMB0.20 million for the first half of 2025 was recognized whereas there was approximately RMB49.12 million reversal amount mainly in relation to amounts due from related companies was recognized for the first half of 2024.

The unaudited other gains and losses amounted to a loss of approximately RMB1.81 million for the first half of 2025 and there was a loss of approximately RMB0.59 million for the first half of 2024. The loss was mainly due to the loss on disposal of certain fixed assets.

The unaudited selling and distribution expenses decreased by approximately 13.90%, from approximately RMB16.56 million in the first half of 2024 to approximately RMB14.26 million in the first half of 2025, representing approximately 0.63% and approximately 0.51% of the revenue in the first half of 2024 and 2025 respectively. The decrease in terms of value was mainly due to the decrease in the sales of components business. The decrease in terms of percentage value was mainly due to a greater extent of increase in revenue of the trading of the extended range gasoline engines during the period in 2025.

The unaudited administrative expenses increased by approximately 9.84%, from approximately RMB81.80 million in the first half of 2024 to approximately RMB89.86 million in the first half of 2025, representing approximately 3.12% and approximately 3.20% of the revenue in the first half of 2024 and 2025 respectively. The increase in value was mainly due to the increase in research expenses and the general increase in office expenses. The slight increase in terms of percentage value was mainly due to a lesser extent of increase in revenue during the period.

The unaudited finance costs decreased by approximately 28.65%, from approximately RMB27.71 million in the first half of 2024 to approximately RMB19.77 million in the first half of 2025. 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 25.47%, from approximately RMB23.81 million in the first half of 2024 to approximately RMB17.75 million in the first half of 2025. This was mainly due to reduction in impairment reversals and increase of administrative expenses, research and development expenses during the period.

The unaudited income tax expense decreased by approximately 26.04%, from approximately RMB1.69 million for the first half of 2024 to approximately RMB1.25 million in the first half of 2025. This decrease was due to the decrease of deferred tax credit arising from the addition of intangible assets amortization.

For the first half of 2025, the Group recorded unaudited profit attributable to the owners of the Company of approximately RMB16.49 million, representing a decrease of approximately 25.49% compared to approximately RMB22.13 million for the corresponding period of 2024.

Liquidity and financial resources

As at 30 June 2025, the Group had approximately RMB92.45 million in bank balances and cash (31 December 2024: approximately RMB85.57 million), and approximately RMB122.26 million in pledged/restricted bank deposits (31 December 2024: approximately RMB101.42 million).

As at 30 June 2025, the Group had trade and other payables of approximately RMB585.06 million (31 December 2024: approximately RMB566.35 million), bank borrowings due within one year in the amount of approximately RMB484.34 million (31 December 2024: approximately RMB446.15 million), and bank borrowings due after one year in the amount of approximately RMB157.50 million (31 December 2024: approximately RMB156.75 million).

Pledge of assets

As at 30 June 2025, the Group pledged certain of its land use rights, buildings, plant and machinery with a total value of approximately RMB392.51 million (31 December 2024: approximately RMB290.89 million) to certain banks to secure certain credit facilities and other borrowings granted to the Group.

As at 30 June 2025, the Group also pledged bank deposits of approximately RMB115.78 million (31 December 2024: approximately RMB100.59 million) to certain banks to secure certain credit facilities granted to the Group.

As at 30 June 2025, the Group did not have any trade receivables pledged to secure general banking facilities granted to the Group.

Gearing ratio

As at 30 June 2025, 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 1.85 (31 December 2024: approximately 2.12). 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 2025, the gearing ratio, computed by dividing borrowings by total equity attributable to owners of the Company, was approximately 36.25% (31 December 2024: approximately 34.37%). 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 2025, the Group had capital commitments of approximately RMB125.49 million (31 December 2024: approximately RMB125.49 million), among which contracted capital commitments amounted to approximately RMB90.03 million (31 December 2024: approximately RMB90.06 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 2025, the Group had approximately 1,004 employees (30 June 2024: approximately 935). Employee costs amounted to approximately RMB66.04 million for the six months ended 30 June 2025 (for the six months ended 30 June 2024: approximately RMB62.66 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.

Outlook

China's economy has demonstrated a 5.3 percent solid year-on-year gross domestic product growth during the first half of 2025. This positive sign was attributable to the indicators in the industrial output, robust exports and nationwide strategic investments. The automobile manufacturing industry was one of the industrial sectors which contributed the growth. Despite the above mentioned, the first half of 2025 marked certain signs of economic slowdown primarily driven by prolonged difficulties in the property sector and heightened job security concerns, which subdued domestic consumption, lacklustre private investment and the trade tariff issues. 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 2025, 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 13.0% on a year-on-year basis whilst the sales of commercial vehicle segment recorded a growth of 2.6%. Passenger vehicles accounted for about 86.4% of the sales of the automobile sector. The growth of the passenger vehicle segment was mainly driven by an increase in demand for sedan cars and sport-utility vehicles ("**SUVs**"). The sales volume of new energy vehicles ("**NEVs**") was 6.94 million units, up by 40.3% year on year, and accounted for about 44.3% of the PRC's total sales volume in the first half of 2025.

During the reporting period, the Group continued to record slight 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 and diesel engines 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 decrease in sales in the first half of 2025 when compared to the corresponding period in 2024. As reported by the media, in the first half of 2025, sales volume of BMW vehicles in the PRC showed a significant decline of 15.5% year-on-year and therefore the demand for finished crankshaft for Bx8 engines decreased. In view of the downward trend of the engine component business, we are exploring other new customers and new component business for the NEVs.

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.

It is expected that the PRC's annual automobile sales will record about 5.0% year-over-year growth in 2025, reaching a new normal of 34.04 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. Apart from matching the range extender to passenger vehicles, it can also be applied to various types of vehicles, such as inter-city pure electric light logistics vehicles with a range of more than 300 km, cold chain vehicles and logistics vehicles, etc.

As mentioned in the last annual report, we have set up a research team focusing on the low-altitude economy for potential business transformation, in the hope of changing from purely a road transportation supplier to "air-ground integrated" suppliers, serving manufacturers in the low-altitude economy. The full year business result may be reduced by the license fee adjustment arising from the JVC. However, the Group has developed its own new range extender and secured new customers, which is expected to reduce the reliance on third party technology in the future.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: 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 2025.

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 2025.

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 2025.

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. Zhang Wei *(Chairman)* and Mr. Deng Han *(Chief Executive Officer)*; one non-executive director: 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
Zhang Wei
Chairman

Hong Kong, 21 August 2025

* *for identification purposes only*