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

Interim Report
2025

RESULTS

The board of directors (the "**Board**") of Xinchen China Power Holdings Limited (the "**Company**") presents 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 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Six months ended	
		30.6.2025	30.6.2024
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**2,804,434**	2,619,532
Cost of sales		**(2,672,046)**	(2,509,663)
Gross profit		**132,388**	109,869
Other income	*5*	**27,264**	26,748
(Impairment losses)/Reversal of impairment losses, net	*6*	**(166)**	49,117
Other gains and losses	*7*	**(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	*8*	**17,747**	23,811
Income tax expense	*9*	**(1,254)**	(1,686)
Profit for the period		**16,493**	22,125
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)*	*11*	**0.013**	0.017

The notes on pages 7 to 24 are an integral part of this interim report.

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	12	**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	12	**456,407**	482,263
Deferred tax assets		**7,812**	8,535
Loan to a shareholder	13	**6,514**	6,125
		2,122,531	2,248,001
CURRENT ASSETS			
Inventories	14	**553,186**	479,583
Trade and other receivables	15	**2,110,207**	2,528,579
Receivables measured at FVTOCI		**–**	12,159
Amounts due from related companies	16	**52,309**	22,395
Pledged/restricted bank deposits	17	**122,258**	101,422
Bank balances and cash	17	**92,457**	85,570
		2,930,417	3,229,708
TOTAL ASSETS		**5,052,948**	5,477,709

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2025

	Notes	30.6.2025 RMB'000 (unaudited)	31.12.2024 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*18*	**611,642**	566,350
Amounts due to related companies	*19*	**59,778**	48,022
Amount due to an associate	*20*	**1,627,864**	2,095,348
Borrowings due within one year	*21*	**484,336**	446,153
Lease liabilities	*22*	**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	*21*	**157,500**	156,751
Lease liabilities	*22*	**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	*23*	**10,457**	10,457
Reserves		**1,760,226**	1,743,697
TOTAL EQUITY		**1,770,683**	1,754,154

The notes on pages 7 to 24 are an integral part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Share capital *RMB'000*	Share premium *RMB'000* *(Note a)*	Special reserve *RMB'000* *(Note b)*	Surplus reserves *RMB'000* *(Note c)*	Deemed distribution to a shareholder *RMB'000* *(Note d)*	Contribution from a shareholder *RMB'000* *(Note e)*	FVTOCI reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2024 (audited)	10,457	700,258	193,457	401,475	(11,285)	8,319	–	413,338	1,716,019
Profit for the period	–	–	–	–	–	–	–	22,125	22,125
At 30 June 2024 (unaudited)	10,457	700,258	193,457	401,475	(11,285)	8,319	–	435,463	1,738,144
At 1 January 2025 (audited)	10,457	700,258	193,457	405,337	(11,285)	8,319	(36)	447,647	1,754,154
Profit for the period	–	–	–	–	–	–	–	16,493	16,493
Other comprehensive loss for the period	–	–	–	–	–	–	36	–	36
At 30 June 2025 (unaudited)	10,457	700,258	193,457	405,337	(11,285)	8,319	–	464,140	1,770,683

Notes:

(a) Share premium represents the difference between the par value of the share issued and the subscription and issue prices of new shares in prior years.

(b) Special reserve represents the difference between paid-in capital of Mianyang Xinchen Engine Co., Limited*（綿陽新晨動力機械有限公司）(“**Mianyang Xinchen**”) and issued share capital of the Company arising from group reorganization.

(c) Surplus reserves comprise statutory surplus reserve and discretionary surplus reserve of Mianyang Xinchen, a major operating subsidiary of the Group, which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the People’s Republic of China (the “**PRC**”) and by the board of Mianyang Xinchen in accordance with its Articles of Association. Statutory surplus reserve amounting to approximately RMB275,593,000 as at 30 June 2025 (31 December 2024: approximately RMB275,593,000), can be used to make up for previous year’s losses or convert into additional capital of Mianyang Xinchen. Discretionary surplus reserve amounting to approximately RMB129,744,000 as at 30 June 2025 (31 December 2024: approximately RMB129,744,000) can be used to expand the existing operations of Mianyang Xinchen.

(d) Deemed distribution to a shareholder represents the fair value adjustments on an interest-free loan to a subsidiary of a joint controlling shareholder of Mianyang Xinchen in prior years.

(e) Contribution from a shareholder represents the fair value adjustments on shares awarded by Lead In Management Limited (“**Lead In**”) to a third party in prior years. Details of which are set out in Note 13.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	**17,747**	23,811
Adjustments for non-cash items	**154,908**	127,228
Operating cash flows before changes in working capital	**172,655**	151,039
(Increase)/Decrease in inventories	**(72,620)**	14,939
Decrease in trade and other receivables	**423,618**	369,602
Decrease in receivables measured at FVTOCI	**12,195**	–
Increase/(Decrease) in trade and other payables	**43,928**	(32,058)
(Decrease)/Increase in amounts due from related companies	**(29,914)**	52,248
Increase/(Decrease) in amounts due to related companies	**12,631**	(23,501)
Decrease in amount due to an associate	**(467,484)**	(390,619)
Cash generated from operations	**95,009**	141,650
Income tax (paid)/refund	**(891)**	355
Net cash generated from operating activities	**94,118**	142,005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	**1,125**	966
Purchase of property, plant and equipment	**(12,488)**	(15,196)
Proceeds on disposal of property, plant and equipment	**3,888**	2,036
Development costs paid	**(9,592)**	(8,841)
Placement of pledged/restricted bank deposits	**(20,836)**	(81,101)
Net cash used in investing activities	**(37,903)**	(102,136)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 June 2025

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	**(19,774)**	(27,714)
Repayment of borrowings	**(380,914)**	(190,528)
Repayment to related companies	**(875)**	–
New borrowings raised	**419,846**	265,118
Payment of lease liabilities	**(67,611)**	(69,215)
Net cash used in financing activities	**(49,328)**	(22,339)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,887**	17,530
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**85,570**	23,839
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**92,457**	41,369

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. CORPORATE 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 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 principal activities of the Company and its direct wholly-owned subsidiary, Southern State Investment Limited are investment holding. The principal activities of Mianyang Xinchen, an indirect wholly-owned subsidiary of the Company, are development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC.

2. 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 (the "**Listing Rules**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

3. 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.

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 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.

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, 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.

4. **REVENUE AND SEGMENT INFORMATION (Cont'd)**

4.2 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.

4.3 Geographical information

The majority 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, which is the country of domicile of Mianyang Xinchen and its subsidiary.

5. **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

6. **(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 15)*	**(166)**	11,779
– Amounts due from related companies *(Note 16)*	**–**	37,338
	(166)	49,117

7. 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 12)*	**(3,577)**	(1,308)
Net loss arising on receivables measured at FVTOCI	**(657)**	(1,400)
	(1,809)	(588)

8. 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

9. 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.

10. 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.

11. 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.

12. 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).

13. LOAN TO A SHAREHOLDER

As detailed in Note 29, the Company has two trust arrangements which entitle the Group's employees to subscribe for shares of the Company (the "**Shares**") through Lead In for their services to the Group. Under the loan agreements dated 18 October 2011, each of the two shareholders of the Company, namely Brilliance Investment Holdings Limited ("**Brilliance Investment**") and Xinhua Investment Holdings Limited ("**Xinhua Investment**"), advanced loans in equal amounts of HK$20,000,000 to the Company (collectively, the "**Loans from Shareholders**"). In return, (i) the Company lent an aggregate amount of HK$40,000,000, equal to the Loans from Shareholders, to Lead In (the "**Loan to a Shareholder**") with an original repayment term of one year from the date of loan agreement entered by the Company and Lead In, and (ii) Lead In used the funding obtained from the Company to subscribe for 36,977,960 Shares under the Discretionary Trust (as defined and detailed in Note 29). The Company does not have the power to direct the relevant activities of Lead In and the ability to use its power over the entities to affect its exposure of returns as detailed in Note 29. Therefore, the Group considers the funding to Lead In is classified as loan to a shareholder. All the loans are non-trade related, unsecured and interest free.

Following the cessation of the operation and further implementation of the share incentive scheme by the Company as detailed in Note 28, depending on, among others, the prevailing trading prices of the Shares held under the Discretionary Trust, Lead In may in future dispose of these Shares gradually and in an orderly manner and use the sale proceeds to repay the Loan to a Shareholder.

The Company has repaid Loans from Shareholders in October 2013, whilst the Loan to a Shareholder was renewed annually and is further extended to October 2025.

At 30 June 2025, the management of the Company expected the balance would not be recovered within one year and the outstanding balance is classified as non-current assets. Management of the Company conducted the 12-month expected credit losses ("**ECL**") assessment on the receivable after taking into account factors that are specific to the debtor, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group provided loss allowance amounting to approximately HK$27,936,000, equivalent to approximately RMB25,523,000 as at 30 June 2025 and RMB26,260,000 as at 31 December 2024, respectively based on periodic individual assessment on the recoverability.

14. INVENTORIES

Based on assessment by the management of the Group, no additional provision during the current interim period of inventories were made, which is determined with reference to the net realisable value of the inventory items.

15. 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 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

15. TRADE AND OTHER RECEIVABLES (Cont'd)

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	**Loss rate range**	**ECL**
	RMB'000	*%*	***RMB'000***
	(unaudited)		**(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	Loss rate range	ECL
	RMB'000	*%*	*RMB'000*
	(audited)		(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	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(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

16. AMOUNTS DUE FROM RELATED COMPANIES

Analysed as:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(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"*

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

17. PLEDGED/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Balances denominated in foreign currencies:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Hong Kong Dollars	**15,684**	16,849
United States Dollars	**455**	635

Other than bank balances shown above, all other remaining bank balances are denominated in RMB.

18. 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.

18. TRADE AND OTHER PAYABLES (Cont'd)

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

19. 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
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	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-trade related:		
Brilliance China Group		
Brilliance China	**1,083**	1,616
	59,778	48,022

19. AMOUNTS DUE TO RELATED COMPANIES (Cont'd)

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(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.

20. AMOUNT DUE TO AN ASSOCIATE

The balance is interest free, unsecured and repayable on demand.

The aging of trade related amounts due to an associate 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	**1,627,637**	2,095,127
Over 6 months but within 12 months	**–**	102
Over 1 year	**227**	119
	1,627,864	2,095,348

21. BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB419,431,000 (six months ended 30 June 2024: approximately RMB198,066,000) carrying interest ranging from 2.15% to 4.63% (six months ended 30 June 2024: 3.30% to 4.80%) per annum. The proceeds of the borrowings were used to finance the acquisition and construction of new plant facilities and used for working capital and other general purposes.

22. 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

23. 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	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Share capital presented in the condensed consolidated statement of financial position	**10,457**	10,457

24. FINANCIAL INSTRUMENTS

Set out below is an overview of financial assets, other than cash and pledged/restricted bank deposits, and financial liabilities held by the Group as at 30 June 2025 and 31 December 2024:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Financial assets:		
At amortised cost#	**2,338,869**	2,687,807
Receivables measured at FVTOCI	**–**	12,159
	2,338,869	2,699,966
Financial liabilities:		
At amortised cost##	**2,890,062**	3,265,846
Lease liabilities	**332,331**	399,942
	3,222,393	3,665,788

\# *Prepayments, deposits and value added tax recoverable are excluded.*

\## *Advances from customers, provision for warranty, payroll and welfare payables and other tax payables are excluded.*

25. OPERATING LEASE COMMITMENTS

The Group as Lessee

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**585**	–

The Group as lessor

Property rental income earned was approximately RMB241,000 for the period ended 30 June 2025 (six months ended 30 June 2024: approximately RMB242,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**8,425**	2,046
Due in the second to fifth years	**14,321**	–
	22,746	2,046

26. CAPITAL COMMITMENTS

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of property, plant and equipment, prepaid lease payments and development costs:		
– Contracted for but not provided in the condensed consolidated financial statements	**10,031**	10,061
– Capital expenditure in respect of investment in associates	**80,000**	80,000

27. 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 of cash. In the opinion of the directors, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were not recognised in the condensed consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of the reporting period are as follows:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Settlement of trade and other payables	**415,332**	633,150
Discounted bills for raising of cash	**10,813**	56,090
Outstanding endorsed and discounted bills receivable with recourse	**426,145**	689,240

Maturity analysis of the outstanding endorsed and discounted bills receivable:

	30.6.2025	31.12.2024
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**408,564**	663,950
Over 3 months but within 6 months	**17,581**	25,290
	426,145	689,240

28. RELATED PARTY DISCLOSURES

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

	Six months ended	
	30.6.2025	30.6.2024
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of goods		
Brilliance China Group	**3,808**	–
Sichuan Li Xinchen Technology Co., Ltd ("**Li Xinchen**")	**41,157**	44,636
	44,965	44,636
Purchase of goods		
Brilliance China Group	**2,908**	16,104
Wuliangye Group	**66,563**	18,360
Li Xinchen	**2,173,621**	2,468,804
	2,243,092	2,503,268
Lease payment and auxiliary services		
Brilliance China Group	**1,124**	1,250
Lease income and auxiliary services charged		
Li Xinchen	**6,167**	6,850
Repairment fee		
Wuliangye Group	**25**	15
Water and electricity costs charged		
Wuliangye Group	**3**	5
Technical consulting and testing service fee		
Li Xinchen	**–**	1,802

Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("**State-controlled Entities**"). The Group has entered into various transactions in the ordinary course of business, including deposits placements, borrowings and other general banking facilities, with banks which are PRC government related entities. In addition, the Group itself is jointly controlled by a subsidiary of Brilliance China and a subsidiary of Wuliangye, each of which are ultimately controlled by the PRC government. Apart from the transactions with Brilliance China Group, Huachen Group and Wuliangye Group disclosed above, the Group also conducts business with other State-controlled Entities. The directors consider those State-controlled Entities to be independent third parties so far as the Group's business transactions with them are concerned.

29. SHARE BASED PAYMENT TRANSACTION

Share Incentive Scheme

During the year ended 31 December 2011, the Company established a share incentive scheme to provide an incentive to directors, management, employees and relevant personnel of the Group who have contributed or will make contributions to the development and growth of the Group (the "**Beneficiaries**") which contains two trust arrangements, namely a fixed trust (the "**Fixed Trust**") and a discretionary trust (the "**Discretionary Trust**"). On 31 October 2011, the Company issued 93,999,794 Shares, representing approximately 9.998% of then enlarged issued share capital of the Company, to Lead In, which held on trust for the relevant Beneficiaries under the two trust arrangements at subscription price of HK$1.0817 per Share. The subscription price of HK$1.0817 per Share was considered as fair value since it was determined based on the Mianyang Xinchen's valuation report, which was issued by an independent valuer for the purpose of group reorganisation and it was also used to determine the consideration for the shares issued to Dongfeng Motors Engineering Co., Ltd. (i.e. HK$1.0817 per Share), which is an independent third party prior to its investment.

The Company ceased the operation and further implementation of the share incentive scheme with effect from 6 December 2021.

Prior to 1 January 2017, all Shares under the Fixed Trust were awarded to the Beneficiaries. No Share had been awarded under the Discretionary Trust for the six months ended 30 June 2025 and 2024. As at 30 June 2025, Lead In held 33,993,385 Shares under the Discretionary Trust.

No Shares were granted, exercised, lapsed or forfeited under the Discretionary Trust during the six months ended 30 June 2025 and 2024.

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).

SHARE INCENTIVE SCHEME ESTABLISHED BY LEAD IN

The share incentive scheme (the "**Incentive Scheme**") was established in 2011 to serve as a retention tool, and to align the interests of the Beneficiaries identified by the trustees of the trusts (further described hereinafter) with that of the Company. Lead In was incorporated for the purpose of holding the Shares on trust for the Beneficiaries pursuant to the Incentive Scheme.

Lead In is currently owned as to 100% by Mr. Deng Han, an executive director of the Company. Lead In held such Shares on trust for the Beneficiaries under two separate trust arrangements, namely the "Fixed Trust" and the "Discretionary Trust".

The Company ceased the operation and further implementation of the Incentive Scheme with effect from 6 December 2021. The Company would explore and adopt other methods as retention tool in replacement of the Incentive Scheme to meet the current company operating conditions and market environment. Following the cessation of the operation and further implementation of the Incentive Scheme by the Company, depending on, among others, the prevailing trading prices of the Shares, Lead In may in future dispose of the Shares held under the Discretionary Trust gradually and in an orderly manner and use the sale proceeds to repay the loan advanced by the Company to Lead In.

All Shares under the Fixed Trust were awarded to the Beneficiaries. No Share had been awarded under the Discretionary Trust for the six months ended 30 June 2025. As at 30 June 2025, Lead In held 33,993,385 Shares under the Discretionary Trust.

SHARE OPTION SCHEME

The Company adopted a share option scheme by an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 19 June 2023 (the "**Share Option Scheme**").

The Share Option Scheme will remain in force for a period of 10 years from 19 June 2023. The period during which an option may be exercised will be determined by the directors of the Company at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme (the "**Scheme Mandate Limit**") was 10% of the shares in issue as at the date of adoption of the Share Option Scheme. The maximum entitlement of each individual eligible participant as defined in the Share Option Scheme in any 12-month period must not exceed 1% of the shares in issue, provided that the maximum entitlement for any grantee being a substantial shareholder or an independent non-executive director or any of their respective associates shall be capped at 0.1% of the shares in issue. Any grant exceeding these individual limits shall be subject to shareholders' approval, with (a) with respect to any grant exceeding the aforesaid 1% limit, the relevant grantee and his/her close associates (or associates if the relevant grantee is a connected person); and (b) with respect to any grant exceeding the aforesaid 0.1% limit, the relevant grantee, his/her associates and all core connected persons of the Company, abstaining from voting.

The number of share options available for grant under the Scheme Mandate Limit and the service provider sublimit of the Share Option Scheme were 128,221,179 Shares and 12,822,117 Shares respectively as at 1 January 2025 and 30 June 2025. No share options had been granted by the Company under the Share Option Scheme since its inception and for the six months ended 30 June 2025 and no expenses were recognised by the Group for the period under review (six months ended 30 June 2024: nil).

CHANGE IN DIRECTORS' INFORMATION

There is no change in information of the directors of the Company as required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the 2024 annual report up to the date of this interim report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2025, so far as known to the directors of the Company, each of the following persons (other than a director or chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "**SFO**"):

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding[5]
Brilliance Investment	Beneficial owner	400,000,000	31.20%
Brilliance China[1]	Interest in a controlled corporation	400,000,000	31.20%
Xinhua Investment	Beneficial owner	400,000,000	31.20%
Xinhua Combustion Engine[2]	Interest in a controlled corporation	400,000,000	31.20%
Sichuan Yibin Pushi Group Co., Ltd.[3]	Interest in a controlled corporation	400,000,000	31.20%
Wuliangye[4]	Interest in a controlled corporation	400,000,000	31.20%

Notes:

(1) Brilliance Investment is wholly-owned by Brilliance China and Brilliance China is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Brilliance Investment is interested.

(2) Xinhua Investment is a direct wholly-owned subsidiary of Xinhua Combustion Engine and Xinhua Combustion Engine is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Xinhua Investment is interested.

(3) Xinhua Combustion Engine is a direct non wholly-owned subsidiary of Sichuan Yibin Pushi Group Co., Ltd. ("**Pushi Group**") and Pushi Group is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Xinhua Investment is interested.

(4) Pushi Group is a direct wholly-owned subsidiary of Wuliangye and Wuliangye is deemed or taken to be interested in approximately 31.20% of the issued share capital of the Company in which Xinhua Investment is interested.

(5) These percentages are calculated on the basis of 1,282,211,794 Shares in issue as at 30 June 2025.

Save as disclosed herein, as at 30 June 2025, there was no other person (other than a director or chief executive of the Company) so far as known to the directors of the Company, as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2025, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, are set out below:

Interest in the shares of the Company

Name of director	Nature of interest	Number and class of Shares	Approximate percentage of shareholding[2]
Mr. Deng Han[1]	Beneficial owner	2,994,258 ordinary	0.23%
	Trustee and interest in a controlled corporation	33,993,385 ordinary	2.65%

Notes:

(1) Mr. Deng Han is a trustee of the Discretionary Trust (which holds 33,993,385 Shares for the Beneficiaries) and holds 100% interests in Lead In. Accordingly, Mr. Deng is deemed or taken to be interested in approximately 2.65% of the issued share capital of the Company.

(2) These percentages are calculated on the basis of 1,282,211,794 Shares in issue as at 30 June 2025.

Save as disclosed above, as at 30 June 2025, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

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.

COMPLIANCE WITH THE 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 C3 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code during 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 report, 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*