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POWER XINCHEN

新 晨 動 力

XINCHEN CHINA POWER HOLDINGS LIMITED

新晨中國動力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1148)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

The board of directors (the “**Board**”) of Xinchen China Power Holdings Limited (the “**Company**”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2025 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	4	4,712,300	6,082,391
Cost of sales		(4,526,263)	(5,898,834)
Gross profit		186,037	183,557
Other income	5	64,077	50,813
Reversal of expected credit losses (“ECL”), net	6	1,828	94,482
Other gains and losses, net	7	238	(2,067)
Selling and distribution expenses		(24,640)	(25,119)
Administrative expenses		(113,152)	(157,605)
Finance costs	8	(38,018)	(47,749)
Other expenses		(24,886)	(33,781)
Share of loss of an associate		(22,077)	(20,153)
Profit before tax		29,407	42,378
Income tax expense	9	(9,250)	(4,207)
Profit for the year	10	20,157	38,171

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value gain/(loss) on:			
Finance assets measured at fair value through other comprehensive income (“FVTOCI”)		<u>36</u>	<u>(36)</u>
Total comprehensive income for the year		<u>20,193</u>	<u>38,135</u>
Earnings per share – Basic and diluted (<i>RMB cents</i>)	<i>12</i>	<u>0.016</u>	<u>0.030</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,000,285	1,062,827
Right-of-use assets		204,345	307,075
Prepaid lease payments		105,332	109,453
Interest in an associate		249,646	271,723
Intangible assets		502,421	482,263
Deferred tax assets		6,140	8,535
Loan to a shareholder		9,915	6,125
		<u>2,078,084</u>	<u>2,248,001</u>
Current assets			
Inventories		436,947	479,583
Trade and other receivables	13	1,022,247	2,528,579
Financial assets measured at FVTOCI		–	12,159
Amounts due from related companies	14	3,497	22,395
Pledged bank deposits		40,988	101,422
Bank balances and cash		272,554	85,570
		<u>1,776,233</u>	<u>3,229,708</u>
Current liabilities			
Trade and other payables	15	461,254	566,350
Amounts due to related companies		33,335	48,022
Amount due to an associate		665,844	2,095,348
Borrowings	17	551,710	446,153
Lease liabilities	16	136,744	136,731
Tax payable		337	398
		<u>1,849,224</u>	<u>3,293,002</u>

		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current liabilities		<u>(72,991)</u>	<u>(63,294)</u>
Total assets less current liabilities		<u>2,005,093</u>	<u>2,184,707</u>
Non-current liabilities			
Borrowings	<i>17</i>	107,800	156,751
Lease liabilities	<i>16</i>	127,526	263,211
Deferred income		<u>6,960</u>	<u>10,591</u>
		<u>242,286</u>	<u>430,553</u>
Net assets		<u>1,762,807</u>	<u>1,754,154</u>
Capital and reserves			
Share capital	<i>18</i>	10,457	10,457
Reserves		<u>1,752,350</u>	<u>1,743,697</u>
Total equity		<u>1,762,807</u>	<u>1,754,154</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act (Revised) of the Cayman Islands on 10 March 2011. Brilliance China Automotive Holdings Limited (“Brilliance China”, Brilliance China and its subsidiaries collectively referred to as “Brilliance China Group”), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and Sichuan Province Yibin Wuliangye Group Co., Ltd.* (四川省宜賓五糧液集團有限公司) (“Wuliangye”, Wuliangye and its subsidiaries collectively referred to as “Wuliangye Group”), a state owned enterprise registered in the People’s Republic of China (“PRC”), are able to exercise significant influence over the Company. Shenyang Automobile Group Co., Ltd.* (瀋陽汽車集團有限公司) is the single largest shareholder of Brilliance China.

In March 2013, the Company completed the listing of its shares on the Main Board of the Stock Exchange.

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

2. APPLICATION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS

Amended HKFRS Accounting Standards that are effective for annual periods beginning on or after 1 January 2025

In the current year, the Group has applied for the first time the Amendments to Hong Kong Accounting Standard (“HKAS”) 21 “Lack of Exchangeability” (“HKAS 21”) which are effective for the Group’s consolidated financial statements for the annual period beginning on 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 adoption of the amended HKFRS Accounting Standards had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

3. BASIS OF PREPARATION

As at 31 December 2025, the Group had net current liabilities of approximately RMB72,991,000. Furthermore, the Group had borrowings due within one year of approximately RMB551,710,000.

Despite of these circumstances, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group prepared by the management covering one year period from the date of approval for issue of these consolidated financial statements, and after taking accounts in the considerations of the following conditions and measures:

- (i) As at 31 December 2025, the Group had available undrawn bank facilities of approximately RMB576,807,000, and subsequently to 31 December 2025, the Group further obtained new bank facilities of approximately RMB200,000,000.
- (ii) The Group formulated business plan to improve its liquidity by (a) monitoring the production activities in order to fulfill the forecast production volume and meet sales forecast, (b) taking measures to tighten cost controls over various production costs and expenses, and (c) seeking any other feasible financial arrangement.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared the consolidated financial statements on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

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

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

4.1 Segment revenue and segment results

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

- (1) Gasoline engines;
- (2) Diesel engines; and
- (3) Engine components.

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

For the year ended 31 December 2025

	Gasoline engines RMB'000	Diesel engines RMB'000	Engine components RMB'000	Total RMB'000
Revenue from external customers, segment revenue (<i>Note</i>)	<u>3,811,927</u>	<u>135,051</u>	<u>765,322</u>	<u>4,712,300</u>
Segment results	<u>84,011</u>	<u>8,805</u>	<u>93,221</u>	<u>186,037</u>
Other income				64,077
Reversal of ECL, net				1,828
Other gains and losses, net				238
Selling and distribution expenses				(24,640)
Administrative expenses				(113,152)
Finance costs				(38,018)
Other expenses				(24,886)
Share of loss of an associate				<u>(22,077)</u>
Profit before tax				<u>29,407</u>

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

For the year ended 31 December 2024

	Gasoline engines RMB'000	Diesel engines RMB'000	Engine components RMB'000	Total RMB'000
Revenue from external customers, segment revenue (<i>Note</i>)	<u>5,281,673</u>	<u>114,640</u>	<u>686,078</u>	<u>6,082,391</u>
Segment results	<u>93,013</u>	<u>(2,930)</u>	<u>93,474</u>	<u>183,557</u>
Other income				50,813
Reversal of ECL, net				94,482
Other gains and losses, net				(2,067)
Selling and distribution expenses				(25,119)
Administrative expenses				(157,605)
Finance costs				(47,749)
Other expenses				(33,781)
Share of loss of an associate				<u>(20,153)</u>
Profit before tax				<u>42,378</u>

Note: There is no inter-segment sales during the years of 2025 and 2024.

Other segment information included in the measurement of segment results:

	Gasoline engines <i>RMB'000</i>	Diesel engines <i>RMB'000</i>	Engine components <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended					
31 December 2025					
Depreciation and amortisation	164,432	13,871	26,176	27,393	231,872
Reversal of provision for inventories	<u>(1,868)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,868)</u>
For the year ended					
31 December 2024					
Depreciation and amortisation	219,248	12,952	19,606	25,975	277,781
Reversal of provision for inventories	<u>(5,007)</u>	<u>(1,994)</u>	<u>–</u>	<u>–</u>	<u>(7,001)</u>

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

4.2 Performance obligations for contracts with customers

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

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

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

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

4.3 Segment assets and liabilities

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

4.4 Geographical information

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

4.5 Information about major customers

Revenue from major customers which individually accounts for 10% or more of the Group's total revenue are sales of gasoline engines, diesel engines, engine components.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Customer A	<u>3,415,550</u>	<u>5,046,531</u>

5. OTHER INCOME

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Bank interest income	2,555	2,579
Bad debt recovery	8,037	–
Compensation income	5,701	5,449
Government grants	28,383	26,882
Imputed interest income from loan to a shareholder	1,105	1,070
Processing income	6,243	–
Rental income under operating leases	8,749	8,898
Utility income	3,293	5,379
Sundry income	11	556
	<u>64,077</u>	<u>50,813</u>

6. REVERSAL OF ECL, NET

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
(ECL)/Reversal of ECL on trade receivables, net	(1,120)	10,266
ECL of other receivable	(74)	–
Reversal of ECL/(ECL) on loan to a shareholder	3,022	(3,953)
Reversal of ECL on amounts due from related companies, net	–	88,169
	<u>1,828</u>	<u>94,482</u>

7. OTHER GAINS AND LOSSES, NET

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange gain, net	22	–
Gain on disposal of scrap materials	6,857	4,060
Net loss arising on financial assets measured at FVTOCI	(750)	(4,919)
Loss on disposal of property, plant and equipment	(90)	(1,208)
Loss on written-off of property, plant and equipment	(5,801)	–
	<u>238</u>	<u>(2,067)</u>

8. FINANCE COSTS

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings:		
Finance charges on lease liabilities	15,538	21,812
Borrowings	22,480	25,937
	<u>38,018</u>	<u>47,749</u>

9. INCOME TAX EXPENSE

	2025	2024
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”)		
– Provision for the year	1,855	1,987
– Under provision in prior year	–	172
	1,855	2,159
Withholding tax on dividend	5,000	–
Deferred tax	2,395	2,048
	9,250	4,207

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 Xincheng Engine Co., Ltd.* (綿陽新晨動力機械有限公司) (“Mianyang Xincheng”) was eligible to the reduced EIT rate of 15% for the year ended 31 December 2024. Mianyang Xincheng has applied EIT rate of 25% for the year ended 31 December 2025.

Pursuant to the relevant laws and regulations in the PRC, Xincheng 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% for the year ended 31 December 2025 and 2024.

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

Dividend distributed from the PRC subsidiaries are subject to withholding tax of 5%. Under the EIT laws of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB218,153,000 (2024: RMB215,577,000) as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. The directors of PRC subsidiaries plan to set aside such undistributed profits of PRC subsidiaries for investment purpose.

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>29,407</u>	<u>42,378</u>
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	4,884	6,357
Tax effect of expenses not deductible for tax purpose	7,052	4,808
Tax effect of income not taxable for tax purpose	(5,573)	(5,369)
Tax incentives on eligible expenditures (<i>Note</i>)	(2,388)	(4,143)
Tax effect of tax losses not recognised	275	2,382
Withholding tax on dividend declared by subsidiaries	5,000	–
Under provision in prior year	<u>–</u>	<u>172</u>
Income tax expense	<u>9,250</u>	<u>4,207</u>

Note: The eligible expenditures represent research and development costs charged to profit or loss for the year, which is subject to an additional 100% (2024: 100%) tax deduction in the calculation of income tax expense.

10. PROFIT FOR THE YEAR

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Directors' remuneration	5,730	10,243
Other staff costs	101,644	108,117
Contributions to retirement benefits scheme other than directors	31,107	27,403
	<u>138,481</u>	<u>145,763</u>
Total staff costs		
	<u>138,481</u>	<u>145,763</u>
Depreciation of property, plant and equipment	80,654	94,027
Depreciation of right-of-use assets	103,789	101,644
Depreciation of prepaid lease payments	4,121	4,121
Amortisation of intangible assets	43,308	77,989
	<u>231,872</u>	<u>277,781</u>
Total depreciation and amortisation		
	<u>231,872</u>	<u>277,781</u>
Auditors' remuneration	1,012	1,014
Lease rental for short-term leases	141	2,631
Rental income under operating leases	(8,749)	(8,898)
Research and development costs recognised as other expenses	20,227	22,806
Included in cost of sales:		
Cost of inventories recognised as expense	4,495,396	6,191,091
Reversal of inventories, net	(1,868)	(7,001)
Warranty claims expenses	4,277	6,515
	<u>4,495,396</u>	<u>6,191,091</u>

11. DIVIDENDS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Final dividend in respect of the previous financial year, of HK0.97 cent per ordinary share	11,540	–

The Board did not recommend the payment of any dividend for the year ended 31 December 2025.

The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2024.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company of RMB20,157,000 (2024: RMB38,171,000), and weighted average number of shares of 1,282,211,794 (2024: 1,282,211,794), for the year ended 31 December 2025.

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

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	1,178,703	2,648,966
Less: Allowance for credit losses	<u>(295,527)</u>	<u>(294,407)</u>
Trade receivables, net	883,176	2,354,559
Bills receivable	115,190	122,114
Less: Allowance for credit losses	<u>—</u>	<u>—</u>
Total trade and bills receivables	998,366	2,476,673
Prepayments for purchase of raw materials and engine components	20,152	29,820
Other receivables	3,729	22,086
Less: Allowance for credit losses	<u>—</u>	<u>—</u>
	<u>1,022,247</u>	<u>2,528,579</u>

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	337,689	2,297,558
Over 1 month but within 2 months	531,206	38,965
Over 2 months but within 3 months	1,601	5,055
Over 3 months but within 6 months	10,641	12,235
Over 6 months but within 1 year	1,107	104
Over 1 year	932	642
	<u>883,176</u>	<u>2,354,559</u>

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	57,453	64,636
Over 3 months but within 6 months	57,737	57,478
	<u>115,190</u>	<u>122,114</u>

14. AMOUNTS DUE FROM RELATED COMPANIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-trade related (<i>Note a</i>)	25	26
Trade related, gross	270,683	289,580
Less: Allowance for credit losses	<u>(267,211)</u>	<u>(267,211)</u>
Trade receivables, net (<i>Note b</i>)	<u>3,472</u>	<u>22,369</u>
	<u>3,497</u>	<u>22,395</u>

Notes:

- (a) The balance is unsecured, interest free and repayable on demand. The maximum amount outstanding as at 31 December 2025 amounting to RMB26,000 (2024: RMB26,000).
- (b) The amounts due from related companies are trade related with details as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Huachen Group[#]		
Shenyang Brilliance Power Train Machinery Co., Ltd.* 瀋陽華晨動力機械有限公司	1,703	18,792
Huachen Automotive Group Holdings Company Limited* ("Huachen Automotive") 華晨汽車集團控股有限公司	<u>–</u>	<u>2,074</u>
	<u>1,703</u>	<u>20,866</u>
Brilliance China Group		
Jinbei (Shenyang) Automobile Co., Ltd.* 金杯(瀋陽)汽車零部件有限公司	266	–
Shenyang XingYuanDong Automobile Component Co., Ltd.* 瀋陽興遠東汽車零部件有限公司	<u>1,503</u>	<u>1,503</u>
	<u>1,769</u>	<u>1,503</u>
	<u>3,472</u>	<u>22,369</u>

[#] *Huachen Automotive and its subsidiaries collectively referred to as "Huachen Group".*

Analysed as:

	2025	2024
	RMB'000	RMB'000
Trade receivables	<u>3,472</u>	<u>22,369</u>

The Group has pledged certain amounts due from related companies, before ECL allowance, amounting to RMB1,505,000 as at 31 December 2025 (2024: RMB1,505,000) to secure general banking facilities granted to the Group.

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

	2025	2024
	RMB'000	RMB'000
Over 6 months but within 1 year	<u>3,472</u>	<u>22,369</u>

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

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9 "Financial Instruments".

To measure the ECL of amounts due from related companies, the balances have been assessed based on individual assessment. At 31 December 2025 and 2024, the Group engaged a valuer to assess the credit rating for its customers and applying the expected loss rate ranging from 0.1% to 100% (2024: 0.1% to 100%) over the gross carrying amounts. As at 31 December 2025 and 2024, loss allowance amounting to RMB267,211,000 (2024: 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 of amounts due from related companies:

	2025	2024
	RMB'000	RMB'000
At beginning of year	267,211	649,452
Reversal of ECL during the year (<i>Note a</i>)	–	(88,169)
Amount written off during the year (<i>Note b</i>)	–	(294,072)
At end of year	<u>267,211</u>	<u>267,211</u>

Notes:

- (a) Reversal of ECL of RMB88,169,000 was recognised during the year ended 31 December 2024 as the Group had received settlements from Huachen Group during 2024.
- (b) ECL of RMB294,072,000 was written off during the year ended 31 December 2024 as the Group had assessed that it was irrecoverable based on the court judgement in 2024.

15. TRADE AND OTHER PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables	231,613	246,313
Bills payable	<u>149,900</u>	<u>242,557</u>
Total trade and bills payables	381,513	488,870
Construction payables	7,433	7,688
Payroll and welfare payables	14,441	21,992
Advance from customers (<i>Note a</i>)	25,204	12,999
Provision for warranty (<i>Note b</i>)	11,778	12,307
Retention money	10,963	10,552
Provision for operating expenses	5,349	4,500
Other payables	<u>4,573</u>	<u>7,442</u>
	<u>461,254</u>	<u>566,350</u>

Notes:

- a. As at 31 December 2025 and 2024, the balances amounting to RMB25,204,000 and RMB12,999,000, respectively, represented the contract liabilities, i.e. the Group's obligation to transfer goods or services to customers for which the Group has received consideration from the customers. During the year ended 31 December 2025, the contract liabilities balance at the beginning of the year were fully recognised as revenue from sale of goods.

The increase of contract liabilities as at 31 December 2025 is mainly due to the increase in the deposits received as a result of more manufacturing orders received from the related party during the reporting period.

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

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	199,359	216,634
Over 3 months but within 6 months	15,657	7,393
Over 6 months but within 1 year	5,856	3,856
Over 1 year but within 2 years	488	3,365
Over 2 years	10,253	15,065
	<u>231,613</u>	<u>246,313</u>

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	79,386	91,674
Over 3 months but within 6 months	59,848	117,449
Over 6 months but within 1 year	10,666	33,434
	<u>149,900</u>	<u>242,557</u>

The movement of provision for warranty are as follows:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	12,307	9,487
Provision for the year	4,277	6,515
Utilised for the year	(4,806)	(3,695)
At end of year	<u>11,778</u>	<u>12,307</u>

All amounts are short term and hence the carrying values of the Group's trade payables, bills payable and other payables are considered to be a reasonable approximation of fair values.

16. LEASE LIABILITIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Total minimum lease payments:		
Within 1 year	146,015	152,270
After 1 year but within 2 years	130,726	144,956
After 2 years but within 5 years	–	130,725
	<u>276,741</u>	<u>427,951</u>
Future finance charges on lease liabilities	<u>(12,471)</u>	<u>(28,009)</u>
Present value of lease liabilities	<u>264,270</u>	<u>399,942</u>
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Present value of minimum lease payments:		
Due within one year	136,744	136,731
Due in the second to fifth years	127,526	263,211
	<u>264,270</u>	<u>399,942</u>
Less: Portion due within one year included under current liabilities	<u>(136,744)</u>	<u>(136,731)</u>
Portion due after one year included under non-current liabilities	<u>127,526</u>	<u>263,211</u>

Note:

As at 31 December 2025, lease liabilities amounting to RMB264,270,000 (2024: RMB399,942,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2025, the total cash outflows for the leases are RMB152,411,000 (2024: RMB164,480,000).

Types of right-of-use assets	Number of leases	Range of remaining lease term	Particulars
Office premise	1	1 year (2024: 1 year)	No option to renew the lease after the end of the contract
Production facilities	1	2 years (2024: 3 years)	Contains an option to renew the lease after the end of the contract by giving a three-month notice to landlord before the end of the contract

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

17. BORROWINGS

(a) Bank borrowings

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Carrying amount repayable:		
Within 1 year or on demand	544,577	418,000
After 1 year but within 2 years	107,800	52,578
After 2 years but within 5 years	–	97,000
	<u>652,377</u>	<u>567,578</u>
Less: amounts shown under current liabilities	<u>(544,577)</u>	<u>(418,000)</u>
Amounts shown under non-current liabilities	<u>107,800</u>	<u>149,578</u>
Secured (<i>Note a</i>)	371,077	468,797
Unsecured (<i>Note b</i>)	<u>281,300</u>	<u>98,781</u>
	<u>652,377</u>	<u>567,578</u>

(b) Other borrowings

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Carrying amount repayable:		
Within 1 year or on demand	7,133	28,153
After 1 year but within 2 years	–	7,173
	<u>7,133</u>	<u>35,326</u>
Less: amounts shown under current liabilities	<u>(7,133)</u>	<u>(28,153)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>7,173</u>
Unsecured (<i>Note c</i>)	<u>7,133</u>	<u>35,326</u>
	<u>7,133</u>	<u>35,326</u>

Notes:

- a. At 31 December 2025 and 2024, the balances were secured by property, plant and equipment, prepaid lease payments and amounts due from related companies.
- b. At 31 December 2025, included in the unsecured borrowings is RMB242,790,000 guaranteed by companies within the Group (2024: RMB26,300,000 guaranteed by companies within the Group). The remaining balance of RMB38,510,000 (2024: RMB72,481,000) was unguaranteed, unsecured and arose from discounting, with recourse of bills receivable.
- c. At 31 December 2025, included in the balances was other borrowings amounting to RMBnil (2024: RMB5,249,000) from a non-related party which was unsecured, bearing interest at nil% per annum (2024: 1.2% per annum) and repayable on demand, and RMB7,133,000 (2024: RMB30,077,000) from non-related parties which was unsecured, bearing interest at 4.5% per annum (2024: 6.0%) and repayable with scheduled repayment dates as at 31 December 2025.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2025	2024
	% per annum	% per annum
Fixed-rate borrowings – RMB	<u>2.7% to 4.7%</u>	<u>1.2% to 6.5%</u>

18. SHARE CAPITAL

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

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At date of incorporation, 1 January 2024, 31 December 2024 and 2025	<u>8,000,000,000</u>	<u>80,000,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2024, 31 December 2024 and 2025	<u>1,282,211,794</u>	<u>12,822,118</u>
	2025	2024
	RMB'000	RMB'000
Share capital presented in consolidated statement of financial position	<u>10,457</u>	<u>10,457</u>

19. RELATED PARTY DISCLOSURES

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Sale of goods		
Brilliance China Group	58,357	–
Sichuan Li Xinchun Technology Co., Ltd.* 四川理想新晨科技有限公司(“Li Xinchun”)	<u>58,155</u>	<u>143,130</u>
	<u>116,512</u>	<u>143,130</u>
Purchase of goods		
Brilliance China Group	3,647	2,453
Wuliangye Group	18,480	12,969
Li Xinchun	<u>3,329,130</u>	<u>4,900,322</u>
	<u>3,351,257</u>	<u>4,915,744</u>
Lease income and auxiliary services charged		
Li Xinchun	<u>11,355</u>	<u>13,132</u>
Service income		
Wuliangye Group	14	–
Brilliance China Group	<u>515</u>	<u>–</u>
	<u>529</u>	<u>–</u>
Water and electricity costs received		
Wuliangye Group	8	7
Brilliance China Group	<u>4</u>	<u>–</u>
	<u>12</u>	<u>7</u>
Repairment fee		
Wuliangye Group	<u>156</u>	<u>64</u>

20. CAPITAL COMMITMENTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment, prepaid lease payments and development costs	9,872	10,061
Capital expenditure in respect of investment in associate	–	80,000
Capital expenditure in respect of investment in subsidiary	<u>84,865</u>	<u>–</u>

21. EVENT AFTER THE REPORTING PERIOD

Completion of a proposed acquisition of a subsidiary

On 16 October 2025, Mianyang Xincheng, an indirect wholly-owned subsidiary of the Company and the Company entered into an equity acquisition agreement with an independent third party. In the acquisition, Mianyang Xincheng has agreed to acquire 53% equity interest in Zhonghang Lantian Equipment Manufacturing Co., Ltd.* (中航蘭田裝備製造有限公司) (“Zhonghang Lantian”). The consideration of the acquisition was up to approximately RMB183.1 million, which includes a contingent consideration of RMB98.2 million payable subject to the terms of the equity acquisition agreement and is payable in cash. The net assets of Zhonghang Lantian was RMB307.9 million as at 31 December 2025. The principal activities of Zhonghang Lantian are the sales of automotive compartments for wide-body mining vehicles, passenger vehicles, dump vehicles, cargo vehicles, steel processing and steel products and sales of other goods in the PRC.

For details, please refer to the announcement of the Company dated 16 October 2025 and the circular of the Company dated 31 December 2025.

The acquisition was completed on 10 February 2026 and was accounted for business combination.

BUSINESS REVIEW AND PROSPECT

According to the latest statistics from the China Association of Automobile Manufacturers, the automobile industry achieved a growth of 9.4% year-on-year in vehicle sales, totaling approximately 34.4 million units in 2025. This represents a landmark sales figure, as it is the first time annual vehicle sales have exceeded 34 million units, maintaining China's position as the world's largest automotive market for the 17th consecutive year. This growth occurred despite challenges such as declining consumer confidence, macroeconomic pressures including slower gross domestic product growth, and the gradual scaling back of government subsidies for new energy vehicles (“NEV”). The results were driven by robust domestic demand and strong export performance. In 2025, sales of passenger vehicles (including sedans, sport-utility vehicles, and multi-purpose vehicles) amounted to about 30.1 million units, up by 9.2% year-on-year, while sales of commercial vehicles reached 4.3 million units, up by 10.9%. NEV sales totaled 16.49 million units, up by 28.2% year-on-year, accounting for approximately 47.9% of the country's total vehicle sales in 2025. This penetration rate indicates substantial remaining growth potential in the NEV sector. Thus, NEV continued to provide solid support for overall vehicle sales in 2025, and the NEV market's expansion is expected to accelerate further in the coming years.

The PRC government has extended the reduction of the value-added tax rate on used cars from 3.0% to 0.5% until the end of 2027, while encouraging the financial sector to offer more attractive credit services to consumers in order to revitalize the automobile industry. In 2025, China's annual automobile sales continued to account for approximately 35.6% of global sales, underscoring its pivotal role in the worldwide market. In particular, the scale of China's NEV market accounted for approximately 66% of all NEV sold worldwide in 2025. China's State Council outlined a development blueprint for the NEV industry from 2021 to 2035, targeting a 20% share of NEV in the country's total sales by 2025. This goal was achieved well ahead of schedule, with NEV sales representing about 47.9% of total vehicle sales in 2025. Current market projections suggest that NEV penetration could advance further to around 75% by 2030, driven by ongoing policy support and technological advancements. The entire industry is undergoing a process of transformation and upgrading, and we remain optimistic about its future. We will strive to capture a share of this monumental growth through strategic acquisitions or collaborations with key industry players.

During the year, demand for plug-in hybrids (including range-extended types) showed a slight decline amid intense competition and advancing battery technology, including plug-in hybrid electric vehicles (“**PHEV**”)/range-extended electric vehicles (“**REEV**”) decreasing modestly to contribute around 35.5% of total NEV sales during the period. Range-extended models remained a significant subset, powering vehicles from leading brands and accounting for a notable portion of hybrid volumes. In comparison, pure battery electric vehicles (“**BEV**”) continued robust expansion, rising substantially year-on-year and regaining share to approximately 64.5% of NEV (up from prior periods where PHEV gained rapidly).

Overall, China’s NEV market maintained strong momentum, solidifying its position as the world’s largest one. The PRC government continues to provide substantial support through policies such as vehicle purchase tax exemptions, license plate quota exemptions in select cities, and exemptions from traffic restrictions, alongside ongoing incentives that favor NEV adoption. These measures, combined with market maturity and infrastructure improvements, underpin a sustained demand.

Our joint venture company (the “**JVC**”) with Li Auto Inc. (“**Li Auto**”), focused on marketing range-extended models, has aligned well with prevailing NEV trends in China — particularly the enduring appeal of range-extended solutions for consumers seeking flexibility in longer-range driving. As noted, the JVC represents the Group’s inaugural strategic entry into the NEV sector and serves as a key platform for long-term collaboration with Li Auto, ensuring a reliable, high-quality supply of range extenders for Li Auto’s popular models (e.g. L9, L8, L7, and L6).

Range-extending technology has solidified its position as a mainstream hybrid approach for passenger vehicles in China. Beyond our partnership with Li Auto, we have successfully collaborated with other manufacturers, such as Rox Motor, achieving targeted sales volumes. We are actively expanding cooperation with additional passenger vehicle producers, including overseas customers, to integrate our range extenders. Furthermore, this technology extends beyond passenger cars to applications in inter-city logistics vehicles (with ranges exceeding 300 km), cold chain vehicles, and other logistics solutions, broadening its market potential.

China’s commercial vehicle market experienced a strong recovery in 2025, with full-year sales totaling around 4.30 million units — both posting double-digit year-on-year growth amid policy support, improved logistics demand, and rising exports.

New energy commercial vehicles (including pure electric, plug-in hybrid, and range-extended types) achieved significant acceleration, with annual sales climbing sharply to approximately 871,000 units (up 63.7% year-on-year). This represented a penetration rate of about 25% across the commercial segment, up notably around 17% from prior year's levels. Range-extended commercial vehicles, while still a smaller subset within the NEV mix, hold substantial market potential — particularly for applications requiring extended operational ranges, reduced charging time, or hybrid flexibility in medium- and heavy-duty segments.

To capitalize on this accelerating electrification trend, the Group has intensified collaboration with commercial vehicle customers, developing tailored extended-range solutions for large and medium-sized vans, light trucks, and pickup trucks. These initiatives position range extenders as a promising new growth driver for the Group.

Furthermore, the Group is broadening range extender applications beyond traditional passenger vehicle transportation into off-road and aviation sectors, including mining trucks, mobile energy replenishment units, and drones. As disclosed in our announcement dated 27 November 2025, we formed a strategic alliance with an aerospace equipment manufacturer in an attempt to enter into the high-barrier aircraft industry, and integrate into national and local development strategies in the low-altitude economy market. On 20 January 2026, we also acquired a majority stake in a Shanxi company which focuses on special-purpose vehicles including modification business, manufacture of container, square cabin and military truck business, and also heavy-duty automated guided vehicles (“AGV”) and truck chassis business. By acquiring this company, the Group will be able to quickly enter the non-road special vehicle market, military products, heavy-duty AGV transport vehicle market and other fields, thereby expanding the Group's business scope. These projects are currently advancing, paving the way for diversified revenue streams as China's push for sustainable energy solutions extends across industrial domains.

Over the recent years, the competitive landscape has evolved from earlier phases focused on capturing demand to a battle for maintaining market share in an increasingly saturated environment. Intense price competition persisted throughout much of 2025, initiated by aggressive moves from big players early in the year and followed by widespread reductions across domestic, joint-venture, and imported brands. Discounts spanned the full spectrum — from entry-level commuter models to premium luxury segments — resulting in compressed margins industry-wide and prompting regulatory attention to curb unsustainable practices.

Concurrently, the emphasis has shifted toward technological differentiation as a primary competitive niche. Advancements in intelligent driving (including advanced driver assistance systems and higher-level autonomy), extended driving range (particularly via range-extended/REEV architectures), ultra-fast charging, and vehicle-to-everything connectivity have emerged as critical barriers to entry. These innovations require substantial ongoing research and development investment from companies throughout the value chain. The rapid pace of technological advancement has made robust technological capabilities essential for long-term market positioning and differentiation amid fierce rivalry.

As disclosed in the interim report for the six months ended 30 June 2025, there was a slight increase in trading of range extenders produced by the JVC and also in sales of traditional gasoline and diesel engines. However, in the second half of the year, the trading of the range extenders faced a slump, caused by the intense competition in the NEV market. In 2025, the Group recorded a total sales of approximately RMB4,712.30 million, representing a decrease of approximately 22.53% as compared to 2024. Such a decrease was mainly due to the decrease in trading of range extenders produced by the JVC.

In respect of the component business, BMW AG officially nominated us as the non-exclusive Bx8 engine crankshaft supplier and connecting rod supplier and the supply period is until 2030. In addition, BMW AG has fully affirmed our pursuit of excellent quality, and it is another milestone in the development components business. So far, we have delivered over 4.9 million crankshafts and 10.2 million connecting rods to BMW Brilliance Automotive Ltd. (“**BMW Brilliance Automotive**”). During the year, we also supplied crankshafts to BYD and Chery, connecting rods to BYD and Li Auto, and we look forward to becoming a long term supplier to them.

The Group will continue to pursue strategic cooperation opportunities with key partners, including BMW AG, BMW Brilliance Automotive, Li Auto, BYD, Chery and others, while exploring expansion into emerging markets such as Vietnam and the Middle East to adapt to the rapidly evolving trends in the global automotive industry. In particular, the Group remains committed to proactively identifying and pursuing potential merger and acquisition opportunities — building on the successful acquisition completed in January 2026 — to further diversify its product portfolio and enhance its core competitiveness.

MANAGEMENT'S DISCUSSION & ANALYSIS

In 2025, the Group achieved total consolidated sales of approximately RMB4,712.30 million, representing a decrease of approximately 22.53% compared to 2024 (approximately RMB6,082.39 million). The decrease was mainly due to the decrease in trading of range extenders produced by the JVC. The decrease in trading of range extenders was due to the slowing demand for the plug-in hybrids vehicles, in particular the range extender types, during the second half of the reporting period.

In respect of the engines business segment, the Group recorded approximately 26.86% decrease in segment revenue, from approximately RMB5,396.31 million in 2024 to approximately RMB3,946.98 million in 2025. Sales volume of engines decreased by approximately 26.20% from around 519,000 units in 2024 to around 383,000 units in 2025. The decrease was mainly due to the decrease in the trading of range extenders produced by the JVC during the reporting period.

In respect of the engine components segment, the Group recorded approximately 11.55% increase in segment revenue, from approximately RMB686.08 million in 2024 to approximately RMB765.32 million in 2025. The increase was mainly due to more servicing income during the reporting period. The Group sold around 360,000 units of crankshafts to BMW Brilliance Automotive in 2025, representing a decrease of approximately 14.29% from around 420,000 units in 2024. There was also a decrease in the demand for connecting rods. The Group sold around 847,000 units of connecting rods to BMW Brilliance Automotive in 2025, down by approximately 3.2% from around 875,000 units in 2024.

The consolidated cost of sales in 2025 amounted to approximately RMB4,526.26 million, down by approximately 23.27% when compared to approximately RMB5,898.83 million in 2024. The decrease in cost of sales was due to the decrease in trading of range extenders.

The gross profit margin of the Group increased from approximately 3.02% in 2024 to approximately 3.95% in 2025, which was mainly due to the lower proportion of trading of range extenders which derived a lower profit margin.

Other income increased from approximately RMB50.81 million in 2024 to approximately RMB64.08 million in 2025, representing an increase of approximately 26.10%. It is mainly comprised of government grants and rental income under operating lease. The increase was mainly due to bad debt recovery.

There was reversal of impairment loss of approximately RMB94.48 million in 2024 due to the settlement of certain impaired amount due from related companies whereas there was only approximately RMB1.83 million reversal in 2025.

Other gains and losses increased from losses of approximately RMB2.07 million in 2024 to gains of approximately RMB0.2 million in 2025. The gain was mainly due to the gain on disposal of scrap materials.

Selling and distribution expenses decreased slightly by approximately 1.91%, from approximately RMB25.12 million in 2024 to approximately RMB24.64 million in 2025, representing approximately 0.41% and approximately 0.52% of the revenue in 2024 and 2025, respectively. The slight decrease in value was mainly due to the decrease in business volume.

Administrative expenses decreased by approximately 28.21%, from approximately RMB157.61 million in 2024 to approximately RMB113.15 million in 2025, representing approximately 2.59% and approximately 2.40% of the revenue in 2024 and 2025, respectively. The decrease in value was mainly due to the decrease in research and salary expenses, professional fees and general office expenses.

Finance costs decreased by approximately 20.38%, from approximately RMB47.75 million in 2024 to approximately RMB38.02 million in 2025. The decrease was mainly due to the decrease in interest rate and the decrease in finance charge on lease liabilities.

Other expenses decreased by approximately 26.33% from approximately RMB33.78 million in 2024 to approximately RMB24.89 million in 2025, which was mainly due to the decrease in general research expenses incurred in 2025.

Share of loss of the associate was approximately RMB22.08 million during the reporting period comparing to the shared loss of approximately RMB20.15 million in 2024.

The Group's profit before tax was approximately RMB29.41 million in 2025 as compared to the Group's profit before tax which was approximately RMB42.38 million in 2024.

Income tax expenses increased by approximately 119.87%, from approximately RMB4.21 million in 2024 to approximately RMB9.25 million in 2025. The increase was due to more deferred tax and withholding tax on dividend declared by subsidiaries recognised during the reporting period.

For the year ended 31 December 2025, the profit attributable to owners of the Company was approximately RMB20.16 million, as compared to the profit attributable to owners of the Company of approximately RMB38.17 million for the year ended 31 December 2024. Basic earnings per share in 2025 amounted to approximately RMB0.016, as compared to basic earnings per share of approximately RMB0.030 in 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had approximately RMB272.55 million in cash and cash equivalents (31 December 2024: RMB85.57 million), and approximately RMB40.99 million in pledged bank deposits (31 December 2024: RMB101.42 million). The Group had trade and other payables of approximately RMB461.25 million (31 December 2024: RMB566.35 million), borrowings due within one year in the amount of approximately RMB551.71 million (31 December 2024: RMB446.15 million), and borrowings due after one year in the amount of approximately RMB107.80 million (31 December 2024: RMB156.75 million).

CAPITAL STRUCTURE

As at 31 December 2025, the Group's total assets was approximately RMB3,854.32 million (31 December 2024: RMB5,477.71 million), which was funded by the following: (1) share capital of approximately RMB10.46 million (31 December 2024: RMB10.46 million), (2) reserves of approximately RMB1,752.35 million (31 December 2024: RMB1,743.69 million) and (3) total liabilities of approximately RMB2,091.51 million (31 December 2024: RMB3,723.56 million).

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2025, the Group pledged certain of its receivables with an aggregate gross amount, before impairment loss, of approximately RMB1.51 million (31 December 2024: RMB1.51 million) to secure general banking facilities granted to the Group.

As at 31 December 2025, the Group has pledged certain land use rights, buildings, plant and machinery with an aggregate carrying value of approximately RMB64.03 million (31 December 2024: RMB119.43 million) to certain banks to secure general banking facilities and other borrowing granted to the Group.

As at 31 December 2025 the Group pledged bank deposits in the amount of approximately RMB40.99 million (31 December 2024: RMB100.59 million) to secure general banking facilities and other borrowing granted to the Group.

GEARING RATIO

As at 31 December 2025, the debt-to-equity ratio, computed by dividing total liabilities by total equity attributable to owners of the Company, was approximately 1.19 (31 December 2024: 2.12). The decrease in the debt-to-equity ratio was mainly due to the decrease in amount due to an associate and lease liabilities during the reporting period.

As at 31 December 2025, the gearing ratio, computed by dividing borrowings by total equity attributable to owners of the Company, was approximately 37.41% (31 December 2024: 34.37%). The increase in gearing ratio was mainly due to the increase in bank borrowings in 2025.

FOREIGN EXCHANGE RISKS

The Group's functional currency is RMB. Since the Group has certain assets and liabilities, such as receivables, payables, bank borrowings and cash and cash equivalents, denominated in foreign currencies, such as 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 31 December 2025, the Group employed approximately 957 employees (31 December 2024: approximately 1,002 employees). Employee costs amounted to approximately RMB138.48 million for the year ended 31 December 2025 (31 December 2024: approximately RMB145.76 million). The Group will endeavour to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is based on their performance.

SIGNIFICANT INVESTMENTS

As disclosed in the Company's announcement dated 16 October 2025, Mianyang Xinchun, a wholly-owned subsidiary of the Company (as the Purchaser), the Company (as the Subscriber), entered into an equity acquisition agreement with Shanxi Lantian Industrial Group Co., Ltd.* (山西蘭田實業集團有限公司) (as the Vendor) in relation to the acquisition of majority stake in Zhonghang Lantian Equipment Manufacturing Co., Ltd.* (中航蘭田裝備製造有限公司) (as the Target Company) in Jinzhong City, Shanxi Province, the PRC. The Target Company is principally engaged in businesses including manufacturing of motor vehicles, special equipment, and mining machinery, as well as the production of automotive parts, industrial robots, and intelligent material handling equipment.

Save as disclosed in the above announcement, there were no other significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2025.

CAPITAL COMMITMENT

As at 31 December 2025, the Group had capital commitments of approximately RMB47.87 million (31 December 2024: RMB125.49 million), among which contracted capital commitments amounted to approximately RMB94.73 million (31 December 2024: RMB90.06 million), which is primarily related to capital expenditure in respect of acquisition of property, plant and equipment, capital injection to an associate and new engine development.

ENVIRONMENTAL AND SOCIAL

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

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

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

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2025 (for the year ended 31 December 2024: HK0.97 cent per share).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting will be held at 10:00 a.m. on Wednesday, 17 June 2026.

The Hong Kong branch register of members of the Company will be closed from Friday, 12 June 2026 to Wednesday, 17 June 2026, both dates inclusive, during which period no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Friday, 12 June 2026 or their proxies or duly authorised corporate representatives are entitled to attend the annual general meeting. In order to qualify for attending the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 June 2026.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with all code provisions of the CG Code throughout the year ended 31 December 2025.

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 with all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transaction by directors during the year ended 31 December 2025.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statements of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

REVIEW OF FINANCIAL STATEMENTS

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

PUBLICATION OF ANNUAL REPORT

The 2025 annual report of the Company containing the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xinchenpower.com) respectively in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two executive directors: Mr. 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, 26 March 2026

* *for identification purposes only*