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

2019
Interim Report

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 2019 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	**Six months ended 30.6.2019 *RMB'000* (unaudited)**	Six months ended 30.6.2018 *RMB'000* (unaudited)
Revenue	*4*	**1,154,612**	1,559,485
Cost of sales		**(1,001,051)**	(1,357,647)
Gross profit		**153,561**	201,838
Other income	*5*	**4,735**	4,560
Other gains and losses	*6*	**5,879**	9,284
Distribution and selling expenses		**(18,422)**	(18,201)
Administrative expenses		**(62,226)**	(74,397)
Other expenses		**(2,384)**	(3,580)
Share of result of a joint venture		**–**	(276)
Finance costs		**(41,760)**	(42,256)
Profit before tax	*7*	**39,383**	76,972
Income tax expense	*8*	**(7,455)**	(19,352)
Profit for the period		**31,928**	57,620
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value (loss)/gain on:			
Receivables measured at fair value through other comprehensive income		**(1,484)**	83
Other comprehensive (loss)/income for the period		**(1,484)**	83
Total comprehensive income for the period		**30,444**	57,703
Earnings per share – Basic *(RMB)*	*10*	**0.025**	0.045

The Group has initially applied Hong Kong Financial Reporting Standard ("HKFRS") 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 7 to 29 are an integral part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30.6.2019 RMB'000 (unaudited)	31.12.2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,625,420**	2,581,151
Prepaid lease payments		**132,132**	130,408
Intangible assets	11	**640,057**	623,455
Loan to a shareholder	12	**13,583**	13,097
Deferred tax assets		**19,198**	19,198
		3,430,390	3,367,309
CURRENT ASSETS			
Inventories	13	**776,781**	839,508
Trade and other receivables	14a	**516,975**	562,687
Receivables measured at fair value through other comprehensive income ("FVTOCI")	14b	**131,167**	217,396
Prepaid lease payments		**–**	3,378
Tax recoverable		**29,496**	31,479
Amounts due from related companies	15	**1,115,142**	1,285,192
Pledged/restricted bank deposits	16	**265,976**	595,782
Bank balances and cash	16	**157,626**	223,950
		2,993,163	3,759,372
Assets classified as held for sale	17	**–**	49,193
TOTAL CURRENT ASSETS		**2,993,163**	3,808,565
TOTAL ASSETS		**6,423,553**	7,175,874

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2019

	NOTES	30.6.2019 RMB'000 (unaudited)	31.12.2018 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	18	**1,381,043**	1,938,128
Amounts due to related companies	19	**157,649**	241,374
Lease liabilities	22	**8,125**	–
Financial liabilities at fair value through profit or loss ("FVTPL")	21	**4,216**	5,616
Borrowings due within one year	20	**870,553**	682,828
		2,421,586	2,867,946
NET CURRENT ASSETS		**571,577**	940,619
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,001,967**	4,307,928
NON-CURRENT LIABILITIES			
Borrowings due after one year	20	**928,125**	1,267,808
Lease liabilities	22	**9,552**	–
Deferred income		**48,143**	54,417
		985,820	1,322,225
NET ASSETS		**3,016,147**	2,985,703
CAPITAL AND RESERVES			
Share capital	23	**10,457**	10,457
Reserves		**3,005,690**	2,975,246
TOTAL EQUITY		**3,016,147**	2,985,703

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 7 to 29 are an integral part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000*	Surplus reserves *RMB'000* *(Note a)*	Deemed distribution to a shareholder *RMB'000* *(Note b)*	Contribution from a shareholder *RMB'000* *(Note c)*	FVTOCI Reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2018 (restated)	10,457	700,258	193,457	382,987	(11,285)	8,319	–	1,690,424	2,974,617
Profit for the period	–	–	–	–	–	–	–	57,620	57,620
Other comprehensive income for the period	–	–	–	–	–	–	83	–	83
Total comprehensive income for the period	–	–	–	–	–	–	83	57,620	57,703
At 30 June 2018 (unaudited)	10,457	700,258	193,457	382,987	(11,285)	8,319	83	1,748,044	3,032,320
At 1 January 2019 (audited)	**10,457**	**700,258**	**193,457**	**391,718**	**(11,285)**	**8,319**	**362**	**1,692,417**	**2,985,703**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,928**	**31,928**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,484)**	**–**	**(1,484)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,484)**	**31,928**	**30,444**
At 30 June 2019 (unaudited)	**10,457**	**700,258**	**193,457**	**391,718**	**(11,285)**	**8,319**	**(1,122)**	**1,724,345**	**3,016,147**

Notes:

(a) Surplus reserves comprise statutory surplus reserve and discretionary surplus reserve of Mianyang Xinchen Engine Co., Ltd.*（綿陽新晨動力機械有限公司）("Mianyang Xinchen"), a major operating subsidiary of the Group and a sino-foreign equity joint venture enterprise, 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 RMB262,187,000 as at 30 June 2019 (31 December 2018: RMB262,187,000), 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 RMB129,531,000 as at 30 June 2019 (31 December 2018: RMB129,531,000) can be used to expand the existing operations of Mianyang Xinchen.

(b) 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 year.

(c) Contribution from a shareholder represents the fair value adjustments on shares awarded by Lead In Management Limited ("Lead In") to a third party. Details of which are set out in Note 12.

* *English name for reference only*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	**39,383**	76,972
Adjustments for non-cash items	**194,760**	185,430
Operating cash flows before changes in working capital	**234,143**	262,402
Decrease/(increase) in inventories	**62,525**	(63,037)
Decrease in trade and other receivables	**46,726**	354,630
Decrease/(increase) in receivables measured at FVTOCI	**84,745**	(32,572)
(Decrease)/increase in trade and other payables	**(557,085)**	319,006
Decrease/(increase) in amounts due from related companies	**170,110**	(246,034)
(Decrease)/increase in amounts due to related companies	**(83,846)**	99,395
Cash (used in)/generated from operations	**(42,682)**	693,790
Income tax paid	**(5,472)**	(49,532)
Net cash (used in)/generated from operating activities	**(48,154)**	644,258
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	**9,061**	1,533
Purchase of property, plant and equipment	**(166,171)**	(167,695)
Proceeds on disposal of property, plant and equipment	**–**	829
Development costs paid	**(32,894)**	(63,906)
Withdrawal of pledged/restricted bank deposits	**553,582**	519,903
Placement of pledged/restricted bank deposits	**(223,776)**	(887,029)
Receipt from government grants of assets related	**–**	1,759
Proceed from disposal of assets held for sale	**49,845**	–
Advance to related parties	**(60)**	–
Repayment from related parties	**–**	1,077
Net cash generated from/(used in) investing activities	**189,587**	(593,529)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 June 2019

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	**(47,708)**	(51,880)
Repayment of borrowings	**(302,807)**	(784,712)
Proceeds from new borrowings	**146,513**	837,725
Payment of lease liabilities	**(3,876)**	–
Advance from a related company	**121**	297
Net cash (used in)/generated from financing activities	**(207,757)**	1,430
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(66,324)**	52,159
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**223,950**	352,473
CASH AND CASH EQUIVALENTS AT 30 JUNE,		
represented by bank balances and cash	**157,626**	404,632

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2010 Revision) 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 and light duty commercial vehicles in the PRC.

* *English name for reference only*

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 ("HKICPA") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Adoption of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Hong Kong (International Financial Reporting Interpretation Committee) Interpretation ("HK(IFRIC) – Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the new and amended HKFRSs has had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Adoption of new and amendments to HKFRSs (Cont'd)

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations, HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", Hong Kong (Standing Interpretations Committee) Interpretation ("HK(SIC) Int")-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Prepaid lease payments" under non-current assets.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.88%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000 (unaudited)
Total operating lease commitments disclosed at 31 December 2018	24,680
Discounting using incremental borrowing rate as at 1 January 2019	(3,127)
Operating leases liabilities	21,553
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	21,553
Classified as:	
Current lease liabilities	7,879
Non-current lease liabilities	13,674
	21,553

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Adoption of new and amendments to HKFRSs (Cont'd)

HKFRS 16 "Leases" (Cont'd)

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000 (unaudited)
Increase in right-of-use assets presented in property, plant and equipment	21,553
Increase in lease liabilities	21,553

Leases

The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. **PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

Adoption of new and amendments to HKFRSs (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Applicable from 1 January 2019 (Cont'd)

<u>Measurement and recognition of leases as a lessee</u>

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Adoption of new and amendments to HKFRSs (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Operating leases

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

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 sales of gasoline engines, diesel engines and engine components is recognised at a point of time. All the contracts with customers are agreed at fixed price and in short-time.

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

4.1 Segment revenue and segment results

The Board reviews operating results and financial information by type of product and/or service. 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 and service income.

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	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Gasoline engines	**570,653**	959,332	**55,127**	114,848
Diesel engines	**234,064**	304,107	**39,440**	32,502
Engine components and service income	**349,895**	296,046	**58,994**	54,488
Total segment and consolidated	**1,154,612**	1,559,485	**153,561**	201,838
Unallocated other income			**4,735**	4,560
Unallocated other gains and losses			**5,879**	9,284
Unallocated other expenses				
Distribution and selling expenses			**(18,422)**	(18,201)
Administrative expenses			**(62,226)**	(74,397)
Finance costs			**(41,760)**	(42,256)
Other expenses			**(2,384)**	(3,580)
Share of result of a joint venture			**–**	(276)
Profit before tax			**39,383**	76,972

Revenue reported above represents revenue generated from sales of goods or service provision to external customers. There were no inter-segment sales during the six months ended 30 June 2019 and 2018.

Segment results represent the profit earned by each segment before the allocation of distribution and selling expenses, administrative expenses, finance costs, other expenses and share of result of a joint venture. This is the measure reported to the Board for the purpose of resource allocation and performance assessment.

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 the measure of total assets and total liabilities by reportable operating segment is not presented.

4.3 Geographical information

The majority of the Group's operations and non-current assets are located in the PRC; and almost 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 30.6.2019 RMB'000 (unaudited)	30.6.2018 RMB'000 (unaudited)
Bank interest income	**4,609**	1,533
Rental income under operating lease, net of outgoing expenses	**126**	3,027
	4,735	4,560

6. OTHER GAINS AND LOSSES

	Six months ended 30.6.2019 RMB'000 (unaudited)	30.6.2018 RMB'000 (unaudited)
Government grants	**6,274**	27,625
Gain on disposal of assets classified as held for sale	**652**	–
Gain on disposal of property, plant and equipment	**–**	829
Foreign exchange losses, net	**(2,784)**	(24,023)
Imputed interest income from loan to a shareholder	**437**	399
Net gain arising on financial assets designated as at FVTPL, realised	**4,614**	–
Net gain arising on financial liabilities designated as at FVTPL, realised	**1,121**	–
Net gain arising on financial liabilities designated as at FVTPL, unrealised	**280**	1,766
Net (loss)/gain arising on receivables measured at FVTOCI	**(5,041)**	2,606
Others	**326**	82
	5,879	9,284

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30.6.2019 RMB'000 (unaudited)	30.6.2018 RMB'000 (unaudited)
Employee benefits expenses (including directors):		
– Salaries and other benefits	**68,405**	90,343
– Retirement benefit scheme contributions	**16,732**	22,487
Total staff costs	**85,137**	112,830
Depreciation of right-of-use assets	**3,566**	–
Depreciation of property, plant and equipment	**144,403**	124,406
Depreciation of investment properties	**–**	1,207
Amortisation of prepaid lease payments	**1,654**	1,642
Amortisation of intangible assets (included in cost of sales)	**18,399**	22,377
Total depreciation and amortisation	**168,022**	149,632

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current tax	**7,455**	15,014
– Under provision in prior year	**–**	4,338*
	7,455	19,352

Mianyang Xinchen was subject to 15% EIT rate for the period ended 30 June 2019 (six months ended 30 June 2018: 15%), which is lower than the standard tax rate of 25%. According to the announcement of "the State Administration of Taxation on issues concerning Enterprise Income Tax Related with enhancing the Western Region Development Strategy"（國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知）, Mianyang Xinchen was registered with the local tax authority to be eligible to the reduced 15% EIT rate from 2011 to 2020. The preferential EIT rate is subject to assessment by the local tax authority on annual basis.

* *Being resulted from disallowing of tax deduction in respect of qualifying research and development expenditures incurred for the prior year.*

9. DIVIDENDS

No dividend has been paid or declared by the Company during both periods ended 30 June 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2019	30.6.2018
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(RMB'000)*	**31,928**	57,620
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 dilutive potential ordinary share outstanding during the periods or as at the end of reporting periods.

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

During the current interim period, the Group has acquired property, plant and equipment, other than construction in progress, amounting to approximately RMB5,329,000 (six months ended 30 June 2018: approximately RMB380,000) for the purpose of upgrading its manufacturing capacity of the Group. During the current interim period, the Group has no disposal of plant and equipment. During the six months ended 30 June 2018, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB8,823,000 and resulting in a gain on disposal of approximately RMB829,000.

In addition, during current interim period, the Group has had approximately RMB165,917,000 (six months ended 30 June 2018: approximately RMB119,620,000) addition to construction in progress, primarily for scaling up the Group's production facilities and capacity. Included in the total addition is approximately RMB5,075,000 (six months ended 30 June 2018: approximately RMB9,624,000) interests capitalised.

During the current interim period, the Group has capitalised development costs of technical know-how of new automotive engines amounting to approximately RMB32,894,000 (six months ended 30 June 2018: approximately RMB63,906,000) for the purposes of expanding its products range of gasoline and diesel engines.

The Group has entered into lease agreement in respect of office premises and production facilities for 2 years and 3 years respectively as at 1 January 2019. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised right-of-use assets and lease liabilities amounting to approximately RMB21,553,000 and RMB21,553,000 respectively.

As at 30 June 2019, the carrying amounts of the Group's right-of-use assets in respect of office premises and production facilities amounted to approximately RMB17,987,000.

12. LOAN TO A SHAREHOLDER

As detailed in Note 29, the Company has two trust arrangements which entitle the beneficiaries to subscribe for shares of the Company (the "Shares") through Lead In for their services to the Group. Under loan agreements dated 18 October 2011, each of the two shareholders of the Company, namely Brilliance Investment Holdings Limited and Xinhua Investment Holdings Limited, 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") 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 has repaid Loans from Shareholders in October 2013, whilst the Loan to a Shareholder was renewed annually and is further extended to October 2019.

At 30 June 2019, 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. The balance is measured at imputed interest rate of 3% per annum, and an imputed interest income with an amount of RMB437,000 (six months ended 30 June 2018: RMB399,000) is recognised in profit or loss for the period.

Based on assessment by the management of the Group, no additional impairment have been recognised for Loan to a Shareholder as the amount of impairment measured under the expected credit losses ("ECL") model is considered as insignificant.

13. INVENTORIES

During the six months ended 30 June 2019, an additional provision of RMB202,000 (six months ended 30 June 2018: RMB305,000) of inventories were made, which is determined with reference to the net realisable value of the inventory items.

14. TRADE AND OTHER RECEIVABLES, BILLS RECEIVABLE MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

a. Trade and other receivables comprise the following:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**284,815**	352,034
Less: Allowance for credit losses	**(3,394)**	(2,978)
Trade receivables, net	**281,421**	349,056
Bills receivable	**121,838**	44,607
Total trade and bills receivables	**403,259**	393,663
Prepayments for purchase of raw materials and engine components	**25,691**	80,371
Other receivables *(Note)*	**88,025**	88,653
	516,975	562,687

Note: Included in the balance is value added tax recoverable of approximately RMB81,850,000 (at 31 December 2018: approximately RMB79,796,000).

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 as at the end of the reporting period:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**117,581**	294,719
Over 1 month but within 2 months	**102,376**	23,005
Over 2 months but within 3 months	**47,567**	12,266
Over 3 months but within 6 months	**9,676**	13,853
Over 6 months but within 1 year	**2,705**	3,647
Over 1 year	**1,516**	1,566
	281,421	349,056

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**–**	44,607
Over 3 months but within 6 months	**121,838**	–
	121,838	44,607

14. TRADE AND OTHER RECEIVABLES, BILLS RECEIVABLE MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Cont'd)

a. Trade and other receivables comprise the following: (Cont'd)

The table below provides information about the exposure to credit risk and ECL model for trade receivables which are assessed based on provision matrix as at 30 June 2019:

	Gross carrying amount	**Weighted average loss rate**	**ECL**
	RMB'000	*%*	*RMB'000*
	(unaudited)		(unaudited)
Not past due	189,179	–	–
Past due:			
Within 1 month	67,231	0.2	134
Over 1 month but within 3 months	18,735	4.0	748
Over 3 months but within 6 months	7,144	23.5	1,681
Over 6 months but within 1 year	1,162	28.8	335
Over 1 year	1,364	36.4	496
	284,815		3,394

Movement in the expected credit losses:

	30.6.2019
	RMB'000
	(unaudited)
At beginning of period *(Note)*	**2,978**
Expected credit losses recognised	**416**
At end of the reporting period	**3,394**

Note: As at 30 June 2019, all the Group's bills receivable are neither past due nor impaired and no allowance for credit losses are provided for the balances as information indicates that the counterparties are highly likely to repay.

b. Receivables measured at fair value though other comprehensive income:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Receivables measured at FVTOCI from third parties	**92,698**	150,150
Receivables measured at FVTOCI from related companies	**38,469**	67,246
	131,167	217,396

Under HKFRS 9, certain bills which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the bills due for payment were classified as "receivables measured at FVTOCI". At 30 June 2019, all the bills are with a maturity period of less than one year. The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the expected credit loss are considered as insignificant.

15. AMOUNTS DUE FROM RELATED COMPANIES

Analysed as:

	30.6.2019 *RMB'000* (unaudited)	31.12.2018 *RMB'000* (audited)
Trade related	**1,113,856**	1,283,775
Non-trade related	**1,286**	1,417
	1,115,142	1,285,192

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

	30.6.2019 *RMB'000* (unaudited)	31.12.2018 *RMB'000* (audited)
Huachen Group#		
Shenyang Brilliance Power Train Machinery Co., Ltd.* ("Shenyang Brilliance") 瀋陽華晨動力機械有限公司	**380,689**	439,575
Mianyang Huarui Automotive Company Limited* ("Mianyang Huarui") 綿陽華瑞汽車有限公司	**131,338**	130,819
Mianyang Huaxiang Machinery Manufacturing Co., Ltd* 綿陽華祥機械製造有限公司	**109,067**	107,214
Huachen Automotive Group Holdings Company Limited* ("Huachen Automotive") 華晨汽車集團控股有限公司	**21,557**	19,738
	642,651	697,346
Brilliance China Group		
Shenyang XingYuanDong Automobile Component Co., Ltd.* 瀋陽興遠東汽車零部件有限公司	**77,105**	153,029
BMW Brilliance Automotive Ltd.* ("BMW Brilliance Automotive") 華晨寶馬汽車有限公司	**112,460**	137,779
Renault Brilliance JinBei Automobile Co., Ltd.* 華晨雷諾金杯汽車有限公司	**3,033**	27,433
Shenyang ChenFa Automobile Component Co., Ltd.* ("Shenyang ChenFa") 瀋陽晨發汽車零部件有限公司	**273,549**	263,335
Shenyang Jinbei Vehicle Manufacturing Co., Ltd.* 瀋陽金杯車輛製造有限公司	**4,853**	4,853
	471,000	586,429
Wuliangye Group		
Mianyang Xinhua Internal Combustion Engine Joint-Stock Company Limited* ("Xinhua Combustion Engine") 綿陽新華內燃機股份有限公司	**47**	–
Mianyang Xinhua Trading Co., Ltd.* 綿陽新華商貿有限公司	**158**	–
	205	–
	1,113,856	1,283,775

15. AMOUNTS DUE FROM RELATED COMPANIES (Cont'd)

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related balances analysed as:		
Trade receivables	**1,113,651**	1,283,587
Prepayment	**205**	188
	1,113,856	1,283,775

Amounts due from related companies are unsecured, interest free and with a credit period ranging from 45 days 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 presented based on the invoice date as at the end of the reporting period:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**300,194**	437,782
Over 3 months but within 6 months	**161,351**	121,066
Over 6 months but within 1 year	**394,702**	464,658
Over 1 year	**257,404**	260,081
	1,113,651	1,283,587

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-trade related:		
Huachen Group, Brilliance China Group and Wuliangye Group	**1,286**	1,417

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

* *English name for reference only*

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

The Group applied simplified approach to provide the expected credit losses prescribed by HKFRS 9. To measure the ECL of amounts due from related companies, the balances are regarded as not credit-impaired and have been assessed based on individual assessment. As part of the Group's credit risk management, the Group applied internal credit rating for its customers and applying the expected loss rate ranging from 0.3% to 4.1% over the gross carrying amounts. As at 30 June 2019, loss allowance amounting to approximately RMB15,608,000 (31 December 2018: approximately RMB15,481,000) 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.

15. AMOUNTS DUE FROM RELATED COMPANIES (Cont'd)

Movement in the expected credit loss:

	30.6.2019
	RMB'000
	(unaudited)
At beginning of period	**15,481**
Expected credit loss recognised	**127**
At end of the reporting period	**15,608**

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

Balances denominated in foreign currencies:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Hong Kong Dollars ("HK$")	**22,566**	29,989
United States Dollars ("US$")	**4,506**	2,295
European Dollars	**367**	50

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

17. ASSETS CLASSIFIED AS HELD FOR SALE

During the current interim period, Mianyang Xinchen, an indirect wholly-owned subsidiary of the Company, disposed of its 50% interest in Changzhou Dongfeng Xinchen Engine Co., Ltd.*（常州東風新晨動力機械有限公司）("Dongfeng"), which has been classified as an asset held for sale as at 31 December 2018, with net carrying amount of approximately RMB49,193,000 to Dongfeng Motor Co., Ltd.*（東風汽車有限公司）("Dongfeng Motor"). The Group completed the disposal on 10 May 2019 and recorded a gain on disposal of approximately RMB652,000, with proceeds (net of transaction cost and tax) of approximately RMB49,845,000. Following the disposal of the interest, Dongfeng ceased to be a joint venture of the Group.

* *English name for reference only*

18. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**713,412**	817,473
Bills payable	**379,908**	704,028
Total trade and bills payables	**1,093,320**	1,521,501
Accrued purchase of raw materials	**187,963**	281,490
Construction payables	**6,717**	12,105
Payroll and welfare payables	**31,195**	56,390
Advances from customers *(Note i)*	**4,072**	5,834
Provision for warranty *(Note ii)*	**4,006**	4,006
Retention money	**17,078**	13,991
Other tax payables	**903**	268
Accrued operating expenses	**23,670**	24,096
Other payables	**12,119**	18,447
	1,381,043	1,938,128

Notes:

i. As at 30 June 2019, the balance represents 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 upon the effective of HKFRS 15. During the period ended 30 June 2019, the contract liabilities balance at the beginning of the period were fully recognised as revenue from sales of goods.

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

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**415,924**	478,956
Over 3 months but within 6 months	**219,021**	156,403
Over 6 months but within 1 year	**55,616**	164,670
Over 1 year but within 2 years	**22,851**	17,444
	713,412	817,473

18. TRADE AND OTHER PAYABLES (Cont'd)

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

	30.6.2019 *RMB'000* (unaudited)	31.12.2018 *RMB'000* (audited)
Within 3 months	**170,802**	339,253
Over 3 months but within 6 months	**209,106**	364,775
	379,908	704,028

19. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2019 *RMB'000* (unaudited)	31.12.2018 *RMB'000* (audited)
Trade related:		
Huachen Group		
Huachen Automotive	**527**	1,105
Shenyang Brilliance	**219**	157
Mianyang Huarui	**2**	2
	748	1,264
Brilliance China Group		
BMW Brilliance Automotive	**15,367**	2,663
Mianyang Brilliance Ruian Automotive Components Co., Ltd.* 綿陽華晨瑞安汽車零部件有限公司	**16,823**	38,682
Shenyang ChenFa	**3,569**	3,306
Shenyang Jinbei Vehicle Dies Manufacturing Co., Ltd.* 瀋陽金杯汽車模具製造有限公司	**28**	109
	35,787	44,760
Wuliangye Group		
Sichuan Yi Bin Pushi Automotive Components Co., Ltd* 四川省宜賓普什汽車零部件有限公司	**12,790**	16,903
Xinhua Combustion Engine	**105,877**	175,774
Mianyang Xin Xinmao Trading Co., Ltd.* 綿陽新鑫茂商貿有限公司	**827**	1,162
	119,494	193,839
	156,029	239,863
Non-trade related:		
Huachen Group		
Huachen Automotive	**341**	341
Brilliance China Group		
Brilliance China	**1,251**	1,142
Wuliangye Group		
Xinhua Combustion Engine	**28**	28
	1,620	1,511
	157,649	241,374

* *English name for reference only*

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related balances analysed as:		
Trade payables	**135,371**	107,744
Bills payable	**20,658**	132,119
	156,029	239,863

The average credit period for supply of goods/raw material and provision of services is 3 to 6 months. The aging of trade related amounts due to related companies presented based on the invoice date as at the end of the reporting period is as follows:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**97,076**	51,743
Over 3 months but within 6 months	**32,888**	25,913
Over 6 months but within 1 year	**2,321**	26,868
Over 1 year	**3,086**	3,220
	135,371	107,744

The bills payable are guaranteed by banks in the PRC and have original maturities of 3 to 12 months. The following is an aging analysis of bills payable are presented based on the bills issue date as at the end of the reporting period:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**5,532**	23,519
Over 3 months but within 6 months	**15,126**	75,600
Over 6 months but within 1 year	**–**	33,000
	20,658	132,119

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. **BORROWINGS**

During the current interim period, the Group obtained new bank borrowings amounting to RMB146,513,000 (six months ended 30 June 2018: RMB837,725,000) carrying interest ranging from 4.95% to 5.00% (six months ended 30 June 2018: 2.50% to 5.66%) per annum and are repayable by instalment throughout to January 2020. The proceeds of the rest borrowings were used to finance the acquisition and construction of new plant facilities and used for working capital and other general purposes.

21. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Foreign currency forward contracts	**4,216**	5,616

Major terms of the foreign currency forward contracts are as follows:

Notional amount	**Maturity**	**Exchange rates**
US$17,100,000	Settlement on specific dates from 21 August 2019 to 23 September 2019	From RMB7.1843:US$1 to RMB7.1952:US$1

At the end of the reporting period, the fair value of financial instruments has been arrived by reference to the quoted price provided by the contractual bank.

22. LEASE LIABILITIES

	30.6.2019
	RMB'000
	(unaudited)
Total minimum lease payments:	
Due within one year	**8,971**
Due in the second to fifth years	**9,991**
	18,962
Future finance charges on leases liabilities	**(1,285)**
Present value of leases liabilities	**17,677**

	30.6.2019
	RMB'000
	(unaudited)
Present value of minimum lease payments:	
Due within one year	**8,125**
Due in the second to fifth years	**9,552**
	17,677
Less:	
Portion due within one year included under current liabilities	**(8,125)**
Portion due after one year included under non-current liabilities	**9,552**

23. SHARE CAPITAL

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 30 June 2018 and 30 June 2019	**8,000,000,000**	80,000,000
Issued and fully paid:		
At 31 December 2018 and 30 June 2019	**1,282,211,794**	12,822,118

	30.6.2019	31.12.2018
	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 2019 and 31 December 2018:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Financial assets:		
At amortised cost*	**2,029,529**	2,514,888
Receivables measured at FVTOCI	**131,167**	217,396
	2,160,696	2,732,284
Financial liabilities:		
At amortised cost**	**3,351,187**	3,758,054
Designated as at FVTPL	**4,216**	5,616
	3,355,403	3,763,670

* *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 31 December 2018, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	31.12.2018 *RMB'000* (audited)
Within one year	9,340
In the second to fifth years	15,340
	24,680

The Group is the lessee in respect of office premises and production facilities held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position and the details regarding the Group's future lease payments are disclosed in note 22.

The Group as lessor

Property rental income earned was RMB138,000 for the period ended 30 June 2019 (six months ended 30 June 2018: RMB3,540,000). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2019 ***RMB'000*** **(unaudited)**	31.12.2018 *RMB'000* (audited)
Within one year	**284**	–

26. CAPITAL COMMITMENTS

	30.6.2019 ***RMB'000*** **(unaudited)**	31.12.2018 *RMB'000* (audited)
Capital expenditure in respect of acquisition of property, plant and equipment, prepaid lease payments and intangible assets – contracted for but not provided in the condensed consolidated financial statements	**118,815**	110,965
Capital expenditure in respect of investment in a joint venture – contracted for but not provided in the condensed consolidated financial statements	**–**	75,000

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:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Settlement of trade and other payables	**274,487**	791,849
Discounted bills for raising of cash	**665,533**	634,039
Outstanding endorsed and discounted bills receivable with recourse	**940,020**	1,425,888

Maturity analysis of the outstanding endorsed and discounted bills receivable:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**654,638**	771,966
Over 3 months but within 6 months	**267,525**	625,791
Over 6 months but within 12 months	**17,857**	28,131
	940,020	1,425,888

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	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of goods		
Brilliance China Group	**484,577**	477,676
Huachen Group	**119,967**	411,311
	604,544	888,987
Purchase of goods		
Brilliance China Group	**41,943**	95,726
Wuliangye Group	**80,366**	93,922
Huachen Group	**72**	48
	122,381	189,696
Purchase of production lines and inventories		
Brilliance China Group	**–**	15,239
Lease payment and auxiliary services		
Huachen Group	**2,658**	2,326
Brilliance China Group	**–**	1,343
	2,658	3,669
Rental income		
Brilliance China Group	**–**	3,540
Maintenance and construction cost charged		
Brilliance China Group	**76**	–

28. RELATED PARTY DISCLOSURES (Cont'd)

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Logistics services received		
Wuliangye Group	**–**	77
Cleaning and greening services received		
Wuliangye Group	**1,241**	–
Water and electricity costs charged		
Wuliangye Group	**726**	591

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.

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 2019. As at 30 June 2019, Lead In held 33,993,385 Shares under the Discretionary Trust.

During the six months ended 30 June 2019 and 2018, no Shares have been exercised, lapsed or forfeited under the Fixed Trust and the Discretionary Trust.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business review

In the first half of 2019, the Group achieved total unaudited revenue of approximately RMB1,154.61 million, representing a decrease of approximately 26.0% compared to approximately RMB1,559.49 million for the corresponding period last year. The decrease in revenue was mainly due to a decrease in the sales of engines. The decrease in the sales of the engines was caused by the unfavorable automobile market environment and the adjustment of the emission standard resulting in a reduction in inventory of downstream customers in the PRC during the period.

Sales volume of engines decreased by approximately 38.7%, from approximately 118,500 units in the first half of 2018 to approximately 72,600 units in the first half of 2019, mainly due to the decrease in sales volume of small gasoline engines despite that there was increase in sales volume of the Group's prince engines.

With respect to the engines business segment, the Group recorded approximately 36.3% decrease in the segment revenue, from approximately RMB1,263.44 million in the first half of 2018 to approximately RMB804.72 million in the first half of 2019. The decrease was mainly due to a decrease in the sales of small gasoline engines.

With respect to the engine components and service income segment, the Group recorded approximately 18.2% increase in the segment revenue, from approximately RMB296.05 million in the first half of 2018 to approximately RMB349.90 million in the first half of 2019. The increase was mainly due to an increase in the sales of crankshafts in the first half of 2019. The Group sold approximately 258,200 units of crankshaft in the first half of 2019, representing approximately 14.1% increase compared to approximately 226,300 units for the corresponding period of 2018. The increase was mainly due to the increase in demand for Bx8 crankshafts as requested by the BMW Brilliance Automotive.

The Group sold approximately 306,000 units of connecting rods in the first half of 2019, representing approximately 12.0% increase compared to approximately 273,200 units for the corresponding period of 2018. The increase in the unit sales of connecting rods was mainly due to an increase in production of Bx8 connecting rods during the reporting period.

The unaudited cost of sales amounted to approximately RMB1,001.05 million in the first half of 2019, representing a decrease of approximately 26.3% compared to approximately RMB1,357.65 million for the corresponding period last year. The decrease was generally in line with the decrease in the Group's total unaudited revenue.

The gross profit margin of the Group maintained at approximately the same level as the corresponding period in 2018. It was approximately 13.3% in the first half of 2019 whilst it was approximately 12.9% in the first half of 2018.

The unaudited other income increased from approximately RMB4.56 million for the first half of 2018 to approximately RMB4.74 million for the first half of 2019, representing an increase of approximately 3.9%. The increase was mainly due to the increase in bank interest income.

The unaudited other gains and losses decreased from net gains of approximately RMB9.28 million for the first half of 2018 to net gains of approximately RMB5.88 million for the first half of 2019, representing a decrease of approximately 36.6%. The change was mainly due to the decrease in government grants.

The unaudited distribution and selling expenses increased by approximately 1.2%, from approximately RMB18.20 million in the first half of 2018 to approximately RMB18.42 million in the first half of 2019, representing approximately 1.2% and approximately 1.6% of the revenue in the first half of 2018 and 2019 respectively. The increase in terms of value was mainly due to an increase in transportation costs.

The unaudited administrative expenses decreased by approximately 16.4%, from approximately RMB74.40 million in the first half of 2018 to approximately RMB62.23 million in the first half of 2019, representing approximately 4.8% and approximately 5.4% of the revenue in the first half of 2018 and 2019 respectively. The decrease in value was mainly due to the general decrease in other staff costs, depreciation and office expenses. The increase in terms of percentage was mainly due to a larger extent of decrease in unaudited revenue.

The unaudited finance costs decreased by approximately 1.2%, from approximately RMB42.26 million in the first half of 2018 to approximately RMB41.76 million in the first half of 2019. The decrease was mainly due to a decrease in short term financing by discounting bills during the course of business.

The Group's unaudited profit before tax decreased by approximately 48.8%, from approximately RMB76.97 million in the first half of 2018 to approximately RMB39.38 million in the first half of 2019.

The unaudited income tax expenses decreased by approximately 61.5%, from approximately RMB19.35 million in the first half of 2018 to approximately RMB7.46 million in the first half of 2019. The decrease was due to the decrease in business transacted during the period.

In the first half of 2019, the Group achieved unaudited net income attributable to the owners of the Company of approximately RMB31.93 million, representing a decrease of approximately 44.6% compared to approximately RMB57.62 million for the corresponding period of 2018.

Liquidity and financial resources

As at 30 June 2019, the Group had approximately RMB157.63 million in bank balances and cash (31 December 2018: approximately RMB223.95 million), and approximately RMB265.98 million in pledged/restricted bank deposits (31 December 2018: approximately RMB595.78 million).

As at 30 June 2019, the Group had trade and other payables of approximately RMB1,381.04 million (31 December 2018: approximately RMB1,938.13 million), bank borrowings due within one year in the amount of approximately RMB870.55 million (31 December 2018: approximately RMB682.83 million), and bank borrowings due after one year in the amount of approximately RMB928.13 million (31 December 2018: approximately RMB1,267.81 million).

Pledge of assets

As at 30 June 2019, the Group pledged certain of its land use rights, buildings, plant and machinery with a total value of approximately RMB64.88 million (31 December 2018: approximately RMB69.49 million) to certain banks to secure certain credit facilities granted to the Group.

As at 30 June 2019, the Group also pledged bank deposits of approximately RMB232.60 million (31 December 2018: approximately RMB552.33 million) to certain banks to secure certain credit facilities granted to the Group.

Gearing ratio

As at 30 June 2019, the Debt-to-Equity ratio of the Group, computed by dividing total liabilities by total equity attributable to owners of the Company, was approximately 1.13 (31 December 2018: approximately 1.40).

As at 30 June 2019, the gearing ratio, computed by dividing bank borrowings by total equity attributable to owners of the Company, was approximately 59.6% (31 December 2018: approximately 65.3%). Both Debt-to-Equity ratio and gearing ratio decreased, which were mainly due to a decrease in total bank borrowings.

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 the 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 2019, the Group had capital commitments of approximately RMB480.66 million (31 December 2018: approximately RMB667.71 million), of which contracted capital commitments amounted to approximately RMB118.82 million (31 December 2018: approximately RMB185.97 million), which is primarily related to the capital expenditure in respect of acquisition of property, plant and equipment, 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 Dollars and Hong Kong Dollars, the Group is exposed to foreign currency translation risk. The Group will 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 2019, the Group had approximately 1,603 employees (30 June 2018: approximately 2,042). Employee costs amounted to approximately RMB85.14 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB112.83 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

In the first half of 2019, the sales of the passenger vehicles segment of the automotive sector in the PRC remained sluggish. According to the China Association of Automobile Manufacturers, the sales of passenger vehicles recorded a decline of 14.0% on a year-on-year basis whilst the sales of commercial vehicles segment recorded a decline of 4.1%. Passenger vehicles account for about 82.2% of sales of the automotive sector. The decline of the passenger vehicles segment was mainly driven by a decrease in demand for multi-purpose vehicles, followed by crossovers and sport-utility vehicles. The slowing domestic economic growth in the PRC, trade war with the United States, lack of confidence in consumption, change in emission policy, and the expectation of automobile purchase promotion policy all negatively affected the sales volume during the reporting period.

During the reporting period, the Group recorded a decline in the sales of its own branded engines due to decrease demand from its customers.

Regarding the prince engine business, the sales is slower than the original forecast. This is mainly affected by the unfavorable automobile market that dampens the customer desire to change for new cars. This trend is particularly obvious in the mid to lower-end market. The Group expects that more contribution from the sales of prince engines will be back on track from 2020 onwards. Prince engines, which is considered to be more competitive engine in the PRC regarding, among others, its size, technology and fuel consumption. The Group started the industrialization of prince engines with 1.6L and 1.8L displacement. The Group believes that prince engines will become the key driver for the Group's engine business going forward.

Other than the 1.6L and 1.8L displacement volume, the Group will also launch 1.2L displacement engine with its own technology. The Group has a designated team to work on the research and development of this three cylinder 1.2L displacement engine in response to the more stringent requirement for fuel consumption and emission standard. The three-cylinder engine could be paired up with electric motors to cope with the increasing demand of hybrid electric vehicles.

Regarding engine components business, the crankshaft production line for Bx8 engines showed a continued growth in sales in the first half of 2019 when compared to the corresponding period in 2018. As set out in Brilliance China's annual report for 2018, BMW Brilliance Automotive achieved sales of 466,182 BMW vehicles in 2018 and it is expected that the demand of finished crankshaft for Bx8 engines will increase as new models of BMW vehicles will be put up for sales in the coming few years. Apart from this, the Group exported some locally-produced crankshafts to BMW AG in Germany since 2018. The Group will continue to explore new business opportunities with BMW AG and BMW Brilliance Automotive in the future.

Material disposal

On 10 May 2019, Mianyang Xinchen entered into an equity transfer agreement with Dongfeng Motor in relation to the disposal by Mianyang Xinchen to Dongfeng Motor of 50% of the equity interest in Dongfeng at the consideration of approximately RMB50.54 million. Further particulars of the above disposal are set out in the announcement of the Company dated 10 May 2019.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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.

The terms of the Incentive Scheme and the trust arrangements are not subject to the provisions of Chapter 17 of the Listing Rules as these arrangements do not involve the grant of options by the Company to subscribe for Shares after the listing of the Company's shares on the Stock Exchange.

Lead In is currently owned as to 50% by Mr. Wu Xiao An and as to 50% by Mr. Wang Yunxian, both are executive directors of the Company. Lead In holds such Shares on trust for the Beneficiaries under two separate trust arrangements, namely the "Fixed Trust" and the "Discretionary Trust".

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 2019. As at 30 June 2019, Lead In held 33,993,385 Shares under the Discretionary Trust.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 25 April 2012, which was amended and restated on 8 February 2013 (the "**Share Option Scheme**").

The Share Option Scheme will remain in force for a period of 10 years from 13 March 2013. 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.

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 2019 and no expenses were recognised by the Group for the period under review (six months ended 30 June 2018: nil).

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company subsequent to the date of 2018 annual report of the Company is set out below:

– Mr. Liu Tongfu was appointed as chairman of Shenyang Jinbei Automotive Company Limited (金杯汽車股份有限公司), a company listed on the Shanghai Stock Exchange, on 28 May 2019.

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

As at 30 June 2019, 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(6)
Brilliance Investment Holdings Limited	Beneficial owner	400,000,000	31.20%
Brilliance China(1)	Interest in a controlled corporation	400,000,000	31.20%
Huachen Automotive(2)	Interest in a controlled corporation	400,000,000	31.20%
Xinhua Investment Holdings Limited	Beneficial owner	400,000,000	31.20%
Xinhua Combustion Engine(3)	Interest in a controlled corporation	400,000,000	31.20%
Sichuan Yibin Pushi Group Co., Ltd.(4)	Interest in a controlled corporation	400,000,000	31.20%
Wuliangye(5)	Interest in a controlled corporation	400,000,000	31.20%

Notes:

(1) Brilliance Investment Holdings Limited ("**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) Brilliance China is owned as to approximately 42.32% by Huachen Automotive and Huachen Automotive 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.

(3) Xinhua Investment Holdings Limited ("**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.

(4) 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.

(5) 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.

(6) These percentages are calculated on the basis of 1,282,211,794 Shares in issue as at 30 June 2019.

Save as disclosed herein, as at 30 June 2019, 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 2019, 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[3]
Mr. Wu Xiao An (also known as Ng Siu On)[1]	Beneficial owner	8,320,041 ordinary	0.65%
	Trustee and interest in a controlled corporation	33,993,385 ordinary	2.65%
Mr. Wang Yunxian[2]	Beneficial owner	6,471,143 ordinary	0.50%
	Trustee and interest in a controlled corporation	33,993,385 ordinary	2.65%

Notes:

(1) Mr. Wu Xiao An is a trustee of the Discretionary Trust (which holds 33,993,385 Shares for the Beneficiaries) under the Incentive Scheme and holds 50% interests in Lead In. Accordingly, Mr. Wu is deemed or taken to be interested in approximately 2.65% of the issued share capital of the Company.

(2) Mr. Wang Yunxian is a trustee of the Discretionary Trust (which holds 33,993,385 Shares for the Beneficiaries) under the Incentive Scheme and holds 50% interests in Lead In. Accordingly, Mr. Wang is deemed or taken to be interested in approximately 2.65% of the issued share capital of the Company.

(3) These percentages are calculated on the basis of 1,282,211,794 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 2019.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 26 September 2016, Mianyang Xinchen (as borrower) and the Company (as guarantor) entered into a banking facility agreement with a financial institution (as lender) for a term loan facility of up to US$28,500,000 (the "**Facility Letter 2016**"). Under the Facility Letter 2016, it shall be an event of default, amongst others, if: (1) Brilliance China holds less than 25% (directly or indirectly) of the issued share capital of the Company; or (2) Wuliangye holds less than 25% (directly or indirectly) of the issued share capital of the Company. Details of the Facility Letter 2016 were set out in the announcement of the Company dated 26 September 2016.

On 19 October 2017, Mianyang Xinchen (as borrower) and the Company (as guarantor) entered into two banking facility agreements (the "**Facility Letters 2017**") with a financial institution (as lender) for (i) a term loan facility of US$36,000,000; and (ii) a term loan facility of US$12,000,000, respectively. Under the Facility Letters 2017, it shall be an event of default, amongst others, if: (1) Brilliance China holds less than 25% (directly or indirectly) of the issued share capital of the Company; or (2) Wuliangye holds less than 25% (directly or indirectly) of the issued share capital of the Company. Details of the Facility Letters 2017 were set out in the announcement of the Company dated 19 October 2017.

On 14 February 2018, Mianyang Xinchen (as borrower) and the Company (as guarantor) entered into (i) a banking facility agreement (the "**Facility Letter A**") with a financial institution as lender ("**Lender A**") for a standby loan facility of up to RMB96,000,000, subject to annual review by Lender A; and (ii) a banking facility agreement (the "**Facility Letter B**", together with Facility Letter A, the "**Facility Letters 2018**") with a financial institution as lender for a term loan facility of US$60,000,000, with the final maturity date being three years from the date of drawdown. Under the Facility Letters 2018, it shall be an event of default, amongst others, if: (1) Brilliance China holds less than 25% (directly or indirectly) of the issued share capital of the Company; or (2) Wuliangye holds less than 25% (directly or indirectly) of the issued share capital of the Company. Details of the Facility Letters 2018 were set out in the announcement of the Company dated 14 February 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance, consistent with the needs and requirements of the business and its shareholders. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company has complied with all code provisions of the CG Code throughout the six months ended 30 June 2019.

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 10 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 confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

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 2019.

At present, the audit committee comprises Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin, 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. Wu Xiao An (also known as Mr. Ng Siu On) *(Chairman)* and Mr. Wang Yunxian *(Chief Executive Officer)*; two non-executive directors: Mr. Liu Tongfu and Mr. Yang Ming; and four independent non-executive directors: Mr. Chi Guohua, Mr. Wang Jun, Mr. Huang Haibo and Mr. Wang Songlin.

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

Hong Kong, 22 August 2019