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POWER XINCHEN

新 晨 动 力

XINCHEN CHINA POWER HOLDINGS LIMITED

新晨中國動力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1148)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

The board of directors (the “**Board**”) of Xinchen China Power Holdings Limited (the “**Company**”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th June, 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

	Notes	Six months ended	
		30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Revenue	3	1,302,188	1,394,458
Cost of sales		<u>(1,065,255)</u>	<u>(1,120,278)</u>
Gross profit		236,933	274,180
Other income	4	20,257	3,906
Selling and distribution expenses		(25,877)	(31,103)
General and administrative expenses		(29,399)	(35,853)
Finance costs		(8,409)	(18,137)
Other expenses		(27,497)	(19,184)
Share of result of a joint venture		<u>5</u>	<u>9</u>
Profit before tax	5	166,013	173,818
Taxation	6	<u>(25,320)</u>	<u>(25,460)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>140,693</u>	<u>148,358</u>
Earnings per share – Basic (RMB)	7	<u>0.123</u>	<u>0.158</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2013

	<i>Notes</i>	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>8</i>	315,638	319,642
Prepaid lease payments		60,162	60,882
Intangible assets	<i>8</i>	117,555	88,153
Investment in a joint venture		49,077	49,441
Deferred tax assets		552	552
Deposits for acquisition of property, plant and equipment and land use rights		7,428	6,567
		550,412	525,237
CURRENT ASSETS			
Inventories		294,475	214,728
Prepaid lease payments		1,434	1,434
Trade and other receivables	<i>9</i>	751,432	660,114
Amounts due from related companies	<i>10</i>	1,079,377	804,004
Loan to a shareholder		31,832	32,515
Pledged bank deposits		89,720	177,807
Bank balances and cash		1,221,291	664,751
		3,469,561	2,555,353
TOTAL ASSETS		4,019,973	3,080,590
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	1,604,139	1,337,637
Amounts due to related companies	<i>12</i>	37,060	43,067
Loans from shareholders		–	32,515
Bank Borrowings – due within one year		224,950	194,950
Other loan		4,000	4,000
Other tax payables		36,906	54,444
Income tax payables		23,738	50,458
		1,930,793	1,717,071
NET CURRENT ASSETS		1,538,768	838,282
TOTAL ASSETS LESS CURRENT LIABILITIES		2,089,180	1,363,519

	<i>Note</i>	30.6.2013 RMB'000 (unaudited)	31.12.2012 <i>RMB'000</i> (audited)
NON-CURRENT LIABILITIES			
Deferred income		<u>38,808</u>	<u>41,018</u>
		<u>38,808</u>	<u>41,018</u>
NET ASSETS			
		<u>2,050,372</u>	<u>1,322,501</u>
OWNERS' EQUITY			
Share capital	<i>13</i>	10,500	7,693
Reserves		<u>2,039,872</u>	<u>1,314,808</u>
		<u>2,050,372</u>	<u>1,322,501</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

1. BASIS OF PREPARATION

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 13th March, 2013.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

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 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	
	30.6.2013 <i>RMB'000</i> (unaudited)	30.6.2012 <i>RMB'000</i> (unaudited)	30.6.2013 <i>RMB'000</i> (unaudited)	30.6.2012 <i>RMB'000</i> (unaudited)
Gasoline engines	1,119,104	1,106,646	191,720	199,309
Diesel engines	163,656	269,911	38,463	69,808
Engine components and service income	19,428	17,901	6,750	5,063
	1,302,188	1,394,458	236,933	274,180
Unallocated income			20,257	3,906
Unallocated expenses				
Selling and distribution expenses			(25,877)	(31,103)
General and administrative expenses			(29,399)	(35,853)
Finance costs			(8,409)	(18,137)
Other expenses			(27,497)	(19,184)
Share of result of a joint venture			5	9
Profit before tax			166,013	173,818

Revenue reported above represents revenue generated from sales of goods or service provision to external customers. There was no inter-segment sales during the six months ended 30th June, 2012 and 2013.

Segment results represent the gross profit of each operating segment, conforming to the same measurement reported to the CODM for the purposes of resources allocation and performance assessment.

Geographical information

The Group principally operates in the PRC (country of domicile of the operating subsidiaries) and all of the revenue reported above are generated from external customers within the PRC.

4. OTHER INCOME

	Six months ended	
	30.6.2013 <i>RMB'000</i> (unaudited)	30.6.2012 <i>RMB'000</i> (unaudited)
Bank interest income	7,299	1,635
Government grants (<i>note</i>)	9,500	300
Loss on disposal of property, plant and equipment	(5)	–
Release of asset-related government grants	2,773	1,826
Others	690	145
	<u>20,257</u>	<u>3,906</u>

Note: Government grants in the amount of RMB9,500,000 recognised during the six months ended 30th June, 2013 represents reimbursement from local authority received by a group entity for particular research activities.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Six months ended	
	30.6.2013 <i>RMB'000</i> (unaudited)	30.6.2012 <i>RMB'000</i> (unaudited)
Employee benefits expenses (including directors):		
– salaries and other benefits	36,951	40,734
– retirement benefit scheme contributions	4,500	3,991
Total staff costs	<u>41,451</u>	<u>44,725</u>
Auditor's remuneration	242	100
Depreciation of property, plant and equipment	12,418	6,371
Release of prepaid lease payments	720	1,441
Amortisation of intangible assets (included in cost of sales)	408	1,561
Initial public offering expenses (included in other expenses)	11,014	11,275
Exchange loss, net (included in other expenses)	<u>8,710</u>	<u>–</u>

6. TAXATION

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Tax expense comprises:		
Current tax expense	25,320	25,285
Deferred tax expense	—	175
	<u>25,320</u>	<u>25,460</u>

Mianyang Xinchun was accredited as a “High and New Technology Enterprise” by the Science and Technology Bureau of Sichuan Province in prior years and be eligible to a reduced enterprise income tax rate of 15% in the People's Republic of China through to 31st December, 2014.

7. 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	
	30.6.2013	30.6.2012
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (<i>RMB'000</i>) (unaudited)	<u>140,693</u>	<u>148,358</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (unaudited)	<u>1,147,898,490</u>	<u>940,199,794</u>

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

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

During the current interim period, the Group acquired property, plant and equipment, other than construction in progress, amounting to approximately nil (*six months ended 30th June, 2012: approximately RMB675,000*) for the purpose of upgrading its manufacturing capacity.

In addition, during the current interim period, the Group had approximately RMB8,430,000 (*six months ended 30th June, 2012: approximately RMB66,903,000*) addition to construction in progress, including approximately RMB535,000 (*six months ended 30th June, 2012: approximately RMB1,200,000*) interests capitalised, in relation to new plant facilities in the PRC.

During the current interim period, the Group capitalised development costs of technical know-how of new automotive engines amounting to approximately RMB29,810,000 (*six months ended 30th June, 2012: approximately RMB15,909,000*) for the purpose of expanding its products range of gasoline and diesel engines.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade receivables	429,109	389,584
<i>Less: allowance for doubtful debts</i>	<u>(207)</u>	<u>(156)</u>
Trade receivable, net	428,902	389,428
Bills receivables	<u>293,827</u>	<u>257,642</u>
Total trade and bills receivables	722,729	647,070
Prepayments for purchase of raw materials and engine components	1,358	1,953
Other receivables	<u>27,345</u>	<u>11,091</u>
	<u>751,432</u>	<u>660,114</u>

The Group generally allows a credit period of 30 to 60 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 aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period.

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 1 month	213,396	167,808
Over 1 month but within 2 months	112,186	26,339
Over 2 months but within 3 months	32,781	26,229
Over 3 months but within 6 months	61,912	83,672
Over 6 months but within 1 year	8,627	84,915
Over 1 year	–	465
	<hr/> 428,902 <hr/>	<hr/> 389,428 <hr/>

The following is an aged analysis of bills receivable presented based on the bills issue date at the end of the reporting period.

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 3 months	208,243	124,613
Over 3 months but within 6 months	79,184	133,029
Over 6 months but within 1 year	6,400	–
	<hr/> 293,827 <hr/>	<hr/> 257,642 <hr/>

10. AMOUNTS DUE FROM RELATED COMPANIES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade related:		
Huachen Group[#]		
Mianyang Huarui Automotive Company Limited* 綿陽華瑞汽車有限公司	266,521	171,638
Shenyang Brilliance Power Train Machinery Co., Ltd. 瀋陽華晨動力機械有限公司	320,993	192,125
Mianyang Huaxiang Machinery Manufacturing Co., Ltd* 綿陽華祥機械製造有限公司	67,316	11,877
Huachen Automotive Group Holdings Company Limited 華晨汽車集團控股有限公司	3,285	4,604
	658,115	380,244
Brilliance China Group^{##}		
Shenyang XingYuanDong Automobile Component Co., Ltd. 瀋陽興遠東汽車零部件有限公司	349,813	377,746
Shenyang Brilliance JinBei Automobile Co., Ltd. 瀋陽華晨金杯汽車有限公司	16,307	7,378
	366,120	385,124
Joint venture	55,142	38,636
	1,079,377	804,004

[#] *Huachen Automotive Group Holdings Company Limited* 華晨汽車集團控股有限公司 (“Huachen”, Huachen and its subsidiaries collectively referred to as “Huachen Group”)*

^{##} *Brilliance China Automotive Holdings Limited (“Brilliance China”, Brilliance China and its subsidiaries collectively referred to as “Brilliance China Group”)*

* *English name for reference only*

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Analysed as:		
Trade receivables	1,073,204	736,134
Bills receivable	6,173	67,870
	1,079,377	804,004

Amounts due from related companies are generally with a credit period of 3 months from the invoice date or an extended credit period up to 6 months for settlement by way of bank-accepted bills.

The following is an aged analysis of trade receivables due from related companies presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 3 months	418,128	374,753
Over 3 months but within 6 months	303,437	241,056
Over 6 months but within 1 year	351,639	120,070
Over 1 year	–	255
	1,073,204	736,134

The following is an aged analysis of bills receivable due from related companies presented based on the bills issue date at the end of the reporting period:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 3 months	1,523	65,500
Over 3 months but within 6 months	4,650	2,370
	6,173	67,870

11. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2013 <i>RMB'000</i> (unaudited)	31.12.2012 <i>RMB'000</i> (audited)
Trade payables	517,047	346,874
Bills payable	315,219	385,419
	<hr/>	<hr/>
Total trade and bills payable	832,366	732,293
Accrued purchase of raw materials	702,291	496,231
Construction payables	10,299	41,477
Payroll and welfare payables	22,831	37,521
Advances from customers	5,229	4,752
Provision for warranty	5,000	5,084
Other payables	26,223	20,279
	<hr/>	<hr/>
	1,604,139	1,337,637
	<hr/> <hr/>	<hr/> <hr/>

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

	30.6.2013 <i>RMB'000</i> (unaudited)	31.12.2012 <i>RMB'000</i> (audited)
Within 3 months	428,925	200,568
Over 3 months but within 6 months	69,264	100,334
Over 6 months but within 1 year	18,858	45,972
	<hr/>	<hr/>
	517,047	346,874
	<hr/> <hr/>	<hr/> <hr/>

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

	30.6.2013 <i>RMB'000</i> (unaudited)	31.12.2012 <i>RMB'000</i> (audited)
Within 3 months	232,447	146,434
Over 3 months but within 6 months	82,772	238,985
	<hr/>	<hr/>
	315,219	385,419
	<hr/> <hr/>	<hr/> <hr/>

12. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade related:		
Brilliance China Group		
Mianyang Brilliance Ruian Automotive Components Co., Ltd* 綿陽華晨瑞安汽車零部件有限公司	22,617	10,743
Wuliangye Group[#]		
Mianyang Xinhua Internal Combustion Engine Joint-Stock Company Limited* 綿陽新華內燃機股份有限公司	4,395	24,653
Sichuan Yi Bin Pushen Automotive Components Co., Ltd* 四川省宜賓普什汽車零部件有限公司	7,794	6,592
	34,806	41,988
Non-trade related:		
Brilliance China Group		
Brilliance China	478	309
Wuliangye Group		
Mianyang Jianmen Real Estate Development and Construction Co., Ltd.* 綿陽劍門房地產開發建設有限責任公司	1,776	770
	2,254	1,079
	37,060	43,067

[#] *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”)*

* *English name for reference only*

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade related:		
Analysed as:		
Trade payables	23,619	19,295
Bills payable	11,187	22,693
	34,806	41,988

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 3 months	20,753	15,396
Over 3 months but within 6 months	2,807	2,957
Over 6 months but within 1 year	59	326
Over 1 year	–	616
	23,619	19,295

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 3 months	10,455	12,744
Over 3 months but within 6 months	732	9,949
	11,187	22,693

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

13. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1st January, 2012, 30th June, 2012, 1st January, 2013 and 30th June, 2013	8,000,000,000	80,000,000
<i>Issued and fully paid:</i>		
1st January, 2012, 30th June, 2012 and 1st January, 2013	940,199,794	9,401,998
Issue of new shares pursuant to the public offering (<i>note i</i>)	313,400,000	3,134,000
Issue of new shares pursuant to over-allotment (<i>note ii</i>)	33,808,000	338,080
At 30th June, 2013 (unaudited)	1,287,407,794	12,874,078

	30.6.2013 RMB'000 (unaudited)	31.12.2012 <i>RMB'000</i> (audited)
Share capital presented in condensed consolidated statement of financial position	<u>10,500</u>	<u>7,693</u>

- (i) On 12th March, 2013, 313,400,000 shares of HK\$0.01 each of the Company, amounting to HK\$3,134,000 (approximately RMB2,534,000), were issued at HK\$2.23 per share by way of public offering and the Company's shares have then listed on the Main Board of the Stock Exchange.
- (ii) On 9th April, 2013, 33,808,000 shares of HK\$0.01 each of the Company, amounting to HK\$338,080 (approximately RMB273,000), were issued at HK\$2.23 per share under over-allotment arrangement pursuant to public offering.

14. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30th June, 2012 and 2013. The directors of the Company have determined that no dividend will be declared in respect of the six months ended 30th June, 2013.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

In the first half of 2013, the Group achieved total unaudited consolidated sales of RMB1,302.2 million, representing a decrease of 6.6% when compared to the corresponding period last year (RMB1,394.5 million), which included revenue from sales of gasoline engines of RMB1,119.1 million (RMB1,106.6 million for the corresponding period last year), revenue from sales of diesel engines of RMB163.7 million (RMB269.9 million for the corresponding period last year) and revenue from sales of engine components and services of RMB19.4 million (RMB17.9 million for the corresponding period last year), representing 85.9%, 12.6% and 1.5% of the total amount respectively. The main reason of the decrease in sales revenue was the decrease in diesel engine sales, which was mainly attributable to the adjustment of the State's emission policy resulting in a reduction in inventory of downstream customers.

The unaudited cost of sales amounted to RMB1,065.3 million, down by 4.9% when compared to RMB1,120.3 million for the corresponding period last year, which was slightly lower than the proportionate decrease in revenue.

Changes in overall profit margin for the period were mainly due to the impact of changes in products mix, which was mainly reflected in the increase in the percentage of sales of light-duty gasoline engines (smaller than 1.6 litre) with lower profit margin, resulting in a decrease of 1.5% in overall profit margin.

The unaudited other income amounted to RMB20.257 million, representing an increase of 418% when compared to RMB3.906 million of the corresponding period last year. The increase was mainly due to (i) the increase in interest income of RMB5.664 million, which was mainly attributable to the increase in cash balances, and (ii) the increase in government subsidies of RMB9.20 million, which was mainly attributable to the receipt of government subsidy in supporting of the research and development of new turbocharged direct injection engine and improvement of the NVH testing laboratory of our research and development centre.

The unaudited selling and distribution expenses decreased from RMB31.103 million in the first half of 2012 to RMB25.877 million in the first half of 2013, representing 2.2% and 2.0% of sales income in the first half of 2012 and 2013, respectively.

The unaudited general and administrative expenses decreased from RMB35.853 million in the first half of 2012 to RMB29.399 million in the first half of 2013, decreased by RMB6.454 million or 18%, which was attributable to the transfer of expenses of approximately 5 million incurred by the change of positions of certain employees from general and administrative expenses to expenses of specific items.

The unaudited finance costs amounted to RMB8.409 million, down by 53.6% when compared to RMB18.137 million for the corresponding period last year, which was attributable to the decrease in discounting costs due to the Company's control on discounted bills volume.

The unaudited other expenses amounted to RMB27.497 million, representing an increase of 43.3% when compared to RMB19.184 million for the corresponding period last year, which was attributable to currency exchange loss.

The unaudited profit before tax amounted to RMB166.013 million, representing a decrease of 4.4% when compared to RMB173.818 million for the corresponding period last year, which was attributable to the decrease in income, in particular, the decrease in sales of diesel engines with higher gross profit margin.

The unaudited income tax expense amounted to RMB25.320 million, representing a decrease of RMB0.14 million when compared to the corresponding period last year, which was calculated at the preferential tax rate of 15% for high-tech enterprises after deducting current net non-taxable profits (being non-taxable profits adjusted by non-deductible expenses). The Company's effective income tax rate was 15.2%, up by 0.6 percentage points when compared to 14.6% for the corresponding period last year.

In the first half of 2013, the Group achieved unaudited net earnings attributable to the owners of the Company of RMB140.693 million, representing a decrease of 5.1% when compared to RMB148.310 million for the corresponding period of 2012. The unaudited basic earnings per share in the first half of 2013 was RMB0.123.

Liquidity and financial resources

As at 30th June, 2013, the Group had RMB1,221 million in cash and cash equivalents, and RMB90 million in pledged bank deposits. The Group had trade and other payables of RMB1,604 million, and bank borrowings of RMB225 million due within one year, but had no long-term bank borrowings outstanding as at 30th June, 2013.

Capital structure

As at 30th June, 2013, the Group's total assets were RMB4,020 million (*31st December, 2012: RMB3,081 million*), of which they included: (1) share capital of RMB10.50 million, (2) reserves of RMB2,040 million, and (3) debts of RMB1,970 million. The corresponding amounts as at 31st December, 2012 were: RMB7.693 million, RMB1,315 million, and RMB1,758 million, respectively.

Contingent liabilities

As at 30th June, 2013 the Group (i) endorsed to pay bills receivables of RMB190.823 million for the settlement of trade and other payables; and (ii) discounted outstanding bills receivables of RMB61.105 million to banks for raising cash. The Group considers that the risk of the default in payment of the aforesaid endorsed and discounted bills receivable is low as all the endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks.

Pledge of assets

As at 30th June, 2013, the Group pledged certain of its buildings, plant and machinery with a total value of approximately RMB139.4 million to certain banks to secure certain credit facilities granted to the Group.

As at 30th June, 2013, the Group also pledged bank deposits of approximately RMB90 million to certain banks to secure certain credit facilities granted to the Group.

Material acquisition and disposal

There were no major acquisition and disposal of subsidiaries and associated companies undertaken by the Group during the six months ended 30th June, 2013.

Gearing ratio

As at 30th June, 2013, the Debt-to-Equity ratio of the Group, computed by dividing total liabilities by total equity attributable to the equity owners of the Company, was approximately 0.96 (*31st December, 2012: 1.33*). The decrease in Debt-to-Equity ratio was mainly due to the increase in equity and reserves.

As at 30th June, 2013, the Quick ratio, defined as current assets (net of inventories) divided by current liabilities, was approximately 1.64 (*31st December, 2012: 1.36*). The reason for the increase in Quick ratio was primarily due to the improvement of cash position (*RMB1,221 million vs. RMB665 million*).

New Product

A new model of diesel engine D22TZ, an upgraded version of D20A, will be introduced to the market in late 2013.

Plans for capital expenditure

There is no material change to the plans for capital expenditure as that disclosed in the last published annual report of the Company.

Significant Investment

The construction works of the first phase production facility of Changzhou Dongfeng Xincheng Engine Co., Ltd. (Dongfeng JV) has been completed during the period. Installation of major equipments will commence in October, 2013.

The Group was authorized by BMW AG of Germany in December of 2012 to manufacture a model of engine N20 and production will start in June, 2014. The key equipments for the production line have been ordered and employee training and building upgrading are currently underway now.

Use of fund raised

The Company was listed on 13th March, 2013 and the gross proceeds raised were approximately US\$99.27 million. After deducting the listing costs, the net proceeds were approximately US\$87.06 million. Apart from reserving a small portion in Hong Kong for settlement of expenses incurred and to be incurred outside China, most of the proceeds in the amount of approximately US\$75.88 million will be remitted to Mianyang Xincheng Engine Co., Ltd. (“**Mianyang Xincheng**”) through foreign exchange channel. Currently, Mianyang Xincheng is undergoing the required procedures which are expected to be completed by September. The funds will be applied in the manner as stated in the IPO prospectus.

Foreign exchange risks

As at 30th June 2013, the Group recorded foreign exchange loss in the amount of RMB8.71 million, which was mainly attributable to the impact of government foreign exchange control approval and the appreciation of Renminbi during the period. The Group will strengthen its foreign exchange risk management and explore appropriate measures in order to minimise exchange risks.

Employees and Remuneration Policy

As at 30th June, 2013, the Group employed approximately 1,005 employees (*30th June, 2012: approximately 1,001*). Employee costs amounted to approximately RMB41.45 million for the *six months ended 30th June, 2013 (30th June, 2012: approximately RMB44.73 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 2013, both the automobile production and sales volume in Mainland China had exceeded 10 million, achieving a double-digit growth rate. The sales volume of automotive engines also increased by nearly 10%. However, independent engine manufacturers for passenger vehicles faced various challenges such as technology and environmental protection policies. It is expected that challenges will continue for a certain period of time.

In order to lay a more solid and sustainable development foundation, the Group intends to adjust its product mix, accelerates its investment in research and development, in particular to increase its efforts in developing new products that can better fulfill the future technology requirements.

Meanwhile, the Group has decided to seek more extensive and comprehensive strategic cooperation with BMW Brilliance Automotive Ltd. and BMW AG by initiating the N20 engine project, with an aim to enhance its standards in production, research and development, IT and logistics and eventually become a stable engine supplier of BMW Brilliance Automotive Ltd. and BMW AG in China.

INTERIM DIVIDEND

The directors did not recommend the payment of any interim dividend for the six months ended 30th June, 2013 (*six months ended 30th June, 2012: nil*).

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

The shares of the Company were listed on the Stock Exchange on 13th March, 2013 (the "**Listing Date**"). Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to 30th June, 2013.

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 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 since the Listing Date and up to the date of this 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 reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2013.

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 announcement, 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. Qi Yumin and Mr. Li Peiqi; 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, 12th August, 2013