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POWER XINCHEN

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XINCHEN CHINA POWER HOLDINGS LIMITED

新晨中國動力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1148)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2013**

The board of directors (the “**Board**”) of Xincheng China Power Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31st December, 2013 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31st DECEMBER 2013

	<i>NOTES</i>	2013 RMB'000	2012 RMB'000
Revenue	3	2,586,193	2,572,741
Cost of sales		(2,075,435)	(2,054,954)
Gross profit		510,758	517,787
Other income and gain	4	38,379	9,862
Selling and distribution expenses		(71,809)	(55,176)
Administrative expenses		(83,371)	(73,955)
Finance costs	5	(21,362)	(27,331)
Other expenses and losses		(48,328)	(29,125)
Share of result of a joint venture		(182)	34
Profit before tax		324,085	342,096
Income tax expense	6	(53,336)	(51,987)
Profit and total comprehensive income for the year attributable to owners of the Company	7	270,749	290,109
Earnings per share – Basic (RMB)	9	0.222	0.309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2013

	<i>NOTES</i>	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		349,872	319,642
Prepaid lease payments		59,441	60,882
Intangible assets		177,636	88,153
Interest in a joint venture		49,259	49,441
Deferred tax assets		151	552
Deposits for acquisition of property, plant and equipment and prepaid lease payments		26,693	6,567
		663,052	525,237
CURRENT ASSETS			
Inventories		385,051	214,728
Prepaid lease payments		1,434	1,434
Trade and other receivables	<i>10</i>	896,220	660,114
Amounts due from related companies	<i>11</i>	1,113,544	804,004
Loan to a shareholder		31,426	32,515
Pledged bank deposits		190,996	177,807
Bank balances and cash		1,166,366	664,751
		3,785,037	2,555,353
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	1,750,005	1,337,637
Amounts due to related companies		94,125	43,067
Loans from shareholders		–	32,515
Bank borrowings due within one year	<i>13</i>	343,450	194,950
Other loan		–	4,000
Other tax payables		–	54,444
Income tax payables		40,941	50,458
		2,228,521	1,717,071
NET CURRENT ASSETS		1,556,516	838,282
TOTAL ASSETS LESS CURRENT LIABILITIES		2,219,568	1,363,519
NON-CURRENT LIABILITIES			
Deferred income		39,140	41,018
NET ASSETS		2,180,428	1,322,501
CAPITAL AND RESERVES			
Share capital	<i>14</i>	10,500	7,693
Reserves		2,169,928	1,314,808
TOTAL EQUITY		2,180,428	1,322,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 2012. 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 enterprises registered in the PRC, which 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 addresses of the registered office and the principal place of business of the Company are disclosed in corporate information section of the annual report.

The principal activities of the Company and Southern State Investment Limited (南邦投資有限公司) (“Southern State”) are investment holding. The principal activity of Mianyang Xincheng Engine Co., Limited* (綿陽新晨動力機械有限公司) (“Mianyang Xincheng”) is the development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles in the PRC.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements, the Group has consistently adopted the Hong Kong Accounting Standards (“HKASs”), Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations (“HK(IFRIC) – Int”), which are effective for the accounting period beginning on 1 January 2013.

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC) – Int 21	Levies ¹

- ¹ Effective for annual periods beginning on or after 1 January 2014
- ² Effective for annual periods beginning on or after 1 July 2014
- ³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
- ⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- ⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The directors of the Company anticipate that the application of these new and revised standards, amendments and interpretations will have no material impact on the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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:

For the year ended 31 December 2013

	Gasoline engines RMB'000	Diesel engines RMB'000	Engine components and service income RMB'000	Total RMB'000
Segment revenue – external	2,104,667	388,703	92,823	2,586,193
Segment results	362,426	84,400	63,932	510,758
Unallocated income				38,379
Unallocated expenses				
Selling and distribution expenses				(71,809)
Administrative expenses				(83,371)
Finance costs				(21,362)
Other expenses and losses				(48,328)
Share of result of a joint venture				(182)
Profit before tax				324,085

Other segment information included in the measurement of segment results:

	Gasoline engines RMB'000	Diesel engines RMB'000	Engine components and service income RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation and amortisation	16,968	3,069	–	8,070	28,107
Provision of inventories	397	73	–	–	470

For the year ended 31 December 2012

	Gasoline engines RMB'000	Diesel engines RMB'000	Engine components and service income RMB'000	Total RMB'000
Segment revenue – external	2,058,889	470,405	43,447	2,572,741
Segment results	386,537	115,924	15,326	517,787
Unallocated income				9,862
Unallocated expenses				
Selling and distribution expenses				(55,176)
Administrative expenses				(73,955)
Finance costs				(27,331)
Other expenses and losses				(29,125)
Share of result of a joint venture				34
Profit before tax				342,096

Other segment information included in the measurement of segment results:

	Gasoline engines RMB'000	Diesel engines RMB'000	Engine components and service income RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation and amortisation	22,990	4,006	–	8,393	35,389
(Reversal of provision) provision of inventories	(577)	230	–	–	(347)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment before the allocation of selling and distribution expenses, administrative expenses, finance costs, other income and gain/expenses and losses and share of result of a joint venture. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

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.

Geographical information

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

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's total revenue are sales of engines to certain related parties as disclosed in Note 15.

4. OTHER INCOME AND GAIN

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Bank interest income	10,882	5,212
Government grants (<i>see Note</i>)	21,144	4,257
Gain on disposal of property, plant and equipment	47	267
Others	6,306	126
	<u>38,379</u>	<u>9,862</u>

Note:

Details of government grants are set below:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Amounts recognised in profit or loss during the year:		
Subsidies related to research activities	13,950	300
Subsidies related to property, plant and equipment	5,678	3,957
Other incentive subsidies	1,516	—
	<u>21,144</u>	<u>4,257</u>

5. FINANCE COSTS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years:		
Bank loans	13,953	13,023
Discounted bills	10,028	16,751
	<u>23,981</u>	<u>29,774</u>
Less: amounts capitalised	(2,619)	(2,443)
	<u>21,362</u>	<u>27,331</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.9% (2012: 6.5%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
PRC Enterprise Income Tax		
Current tax	52,354	52,659
Underprovision (overprovision) in prior year	581	(1,150)
	<u>52,935</u>	<u>51,509</u>
Deferred tax expense	401	478
	<u>53,336</u>	<u>51,987</u>

Mianyang Xinchun enjoyed preferential enterprise income tax rates which were lower than the standard tax rate during both years as approved by the relevant tax authorities in the PRC.

Mianyang Xinchun was accredited as a “High and New Technology Enterprise” by the Science and Technology Bureau of Sichuan Province and relevant authorities in December 2008 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2009 to 2011. The High and New Technology Enterprise qualification has been renewed in 2012, which entitles Mianyang Xinchun to enjoy such reduced tax rate for another three years until 31 December 2014. Accordingly, Mianyang Xinchun is subject to 15% enterprise income tax rate for the years ended 31 December 2013 and 2012.

7. PROFIT FOR THE YEAR

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Directors' remuneration	7,646	1,377
Other staff costs	70,626	66,567
Contributions to retirement benefits scheme	9,399	8,847
	<hr/>	<hr/>
Total staff costs	87,671	76,791
	<hr/>	<hr/>
Depreciation of property, plant and equipment	24,272	31,988
Amortisation of prepaid lease payments	1,441	1,441
Amortisation of intangible assets (included in cost of sales)	2,394	1,960
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Total depreciation and amortisation	28,107	35,389
	<hr/>	<hr/>
Research expenses (included in other expenses and losses)	17,051	15,661
Amortisation of capitalised development costs (included in total depreciation and amortisation)	2,394	1,960
	<hr/>	<hr/>
Total research and development costs	19,445	17,621
	<hr/>	<hr/>
Auditors' remuneration	821	505
Exchange loss, net	19,093	889
Allowance for doubtful debts	100	113
Included in cost of sales:		
Cost of inventories recognised as expense	2,075,435	2,054,954
Allowance for (reversal of) provision of inventories	470	(347)
Provision for warranty, net	11,344	12,469
Included in other expenses and losses:		
Initial public offering expenses	11,443	13,464
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8. DIVIDENDS

No dividend has been paid or declared by the Company during both years ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and weighted average number of shares of 1,218,226,468 (2012: 940,199,794) for the year ended 31 December 2013.

No diluted earnings per share is presented as there was no potential dilutive ordinary share in issue.

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables	407,870	389,584
Less: Allowance for doubtful debts	(256)	(156)
Trade receivables, net	407,614	389,428
Bills receivable	421,009	257,642
Total trade and bills receivables	828,623	647,070
Prepayments for purchase of raw materials and engine components	18,358	1,953
Other receivables*	49,239	11,091
	896,220	660,114

* Included in the balance is value added tax recoverable of RMB24,396,000 (2012: Nil).

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 at the end of the reporting period.

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 1 month	165,083	167,808
Over 1 month but within 2 months	57,615	26,339
Over 2 months but within 3 months	22,328	26,229
Over 3 months but within 6 months	146,954	83,672
Over 6 months but within 1 year	13,688	84,915
Over 1 year	1,946	465
	407,614	389,428

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	327,096	124,613
Over 3 months but within 6 months	93,806	133,029
Over 6 months but within 1 year	107	–
	421,009	257,642

11. AMOUNTS DUE FROM RELATED COMPANIES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables	839,510	736,134
Bills receivable	254,919	67,870
Prepayment	18,032	—
	<u>1,112,461</u>	<u>804,004</u>

Amounts due from related companies are unsecured, interest free and with a credit period of 3 months from the invoice date and a further 3 to 6 months for bills receivable. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	515,766	374,753
Over 3 months but with 6 months	286,187	241,056
Over 6 months but within 1 year	37,492	120,070
Over 1 year	65	255
	<u>839,510</u>	<u>736,134</u>

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	154,149	65,500
Over 3 months but within 6 months	99,600	2,370
Over 6 months but within 1 year	1,170	—
	<u>254,919</u>	<u>67,870</u>

The Group's credit policy is that the credit is offered to related companies following financial assessment and an established payment record.

12. TRADE AND OTHER PAYABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade payables	427,786	346,874
Bills payable	668,316	385,419
	<hr/>	<hr/>
Total trade and bills payables	1,096,102	732,293
Accrued purchase of raw materials	538,393	496,231
Construction payables	9,842	41,477
Payroll and welfare payables	34,487	37,521
Advances from customers	9,437	4,752
Provision for warranty (<i>Note</i>)	5,084	5,084
Retention money	41,033	7,915
Other payables	15,627	12,364
	<hr/>	<hr/>
	1,750,005	1,337,637
	<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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	324,699	200,568
Over 3 months but within 6 months	85,793	100,334
Over 6 months but within 1 year	6,134	45,972
Over 1 year but within 2 year	11,160	—
	<hr/>	<hr/>
	427,786	346,874
	<hr/>	<hr/>

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 3 months	296,284	146,434
Over 3 months but within 6 months	372,032	238,985
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	668,316	385,419
	<hr/>	<hr/>

Note:

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 each reporting period.

13. BANK BORROWINGS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Bank borrowings repayable within one year shown under current liabilities	<u>343,450</u>	<u>194,950</u>
Secured	131,450	152,950
Unsecured	<u>212,000</u>	<u>42,000</u>
	<u>343,450</u>	<u>194,950</u>

All bank borrowings are denominated in RMB.

14. SHARE CAPITAL

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

	Number of shares	Amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At date of incorporation, 1 January 2012, 31 December 2012 and 2013	<u>8,000,000,000</u>	<u>80,000,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2012 and 31 December 2012	940,199,794	9,401,998
Issue of new shares on 12 March 2013 (i)	313,400,000	3,134,000
Issue of new shares on 9 April 2013 (ii)	<u>33,808,000</u>	<u>338,080</u>
At 31 December 2013	<u>1,287,407,794</u>	<u>12,874,078</u>
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Presented in financial statements	<u>10,500</u>	<u>7,693</u>

- (i) On 12 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 9 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 under the public offering.

The new shares rank pari passu with the existing shares in all aspects.

15. RELATED PARTY DISCLOSURES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Sale of goods		
Brilliance China Group	372,645	500,065
Huachen Group	763,982	654,409
Wuliangye Group	–	233
Dongfeng JV	27,230	83,648
	<u>1,163,857</u>	<u>1,238,355</u>
Purchase of goods		
Brilliance China Group	48,764	48,939
Huachen Group	–	10
Wuliangye Group	184,572	154,283
	<u>233,336</u>	<u>203,232</u>
Rental charged and auxiliary services		
Huachen Group	17,966	–
Brilliance China Group	1,697	–
Wuliangye Group	–	100
	<u>19,663</u>	<u>100</u>
Maintenance and construction cost charged		
Wuliangye Group	3,339	7,330
	<u>3,339</u>	<u>7,330</u>

16. EVENTS AFTER THE REPORTING PERIOD

On 25 November 2013, Huachen and Mianyang Xincheng entered into an acquisition agreement pursuant to which Mianyang Xincheng agreed to purchase and Huachen agreed to sell the Production Lines and the Inventories (both defined in the announcement dated 25 November 2013) (the “Assets Acquisition”). The consideration for the Assets Acquisition is subsequently finalised at RMB394,281,630 (equivalent to approximately HK\$499,751,966), inclusive of VAT.

The Assets Acquisition was completed and the consideration was settled by cash with approximately RMB302,568,650 and the remaining of approximately RMB91,712,980 was set off against trade receivables due from Huachen or its subsidiaries subsequent to 31 December 2013.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

For the year ended 31st December, 2013, the Group recorded total annual consolidated sales of RMB2,586.19 million, representing an increase of approximately 0.5% when compared to the corresponding period last year (RMB2,572.74 million). The increase was mainly due to the increase in sale of gasoline engines with displacement of 1.6L and increase in service income.

Regarding the sales volume of the Group's engines, we recorded a growth of 3.2%, from 267,168 units in 2012 to around 275,713 units in 2013. The increase was mainly due to increase in sale of gasoline engine with displacement of 1.6L.

Of all the Group's engine models, the gasoline engines with displacement of 1.6L or less contributed RMB1,112.59 million, representing approximately 43.0% of the total revenue. The gasoline engines with displacement of 1.6L – 2.0L, 2.0L – 2.5L, and 2.5L – 3.0L contributed RMB171.80 million, RMB799.44 million and RMB20.84 million respectively, representing approximately 6.6%, approximately 30.9%, and approximately 0.8% of the total revenue respectively. The diesel engines with displacement of 2.0L – 2.5L contributed RMB388.70 million, representing approximately 15.0 % of the total revenue. The engine components and service income contributed RMB92.82 million, representing approximately 3.6% of the total revenue.

The annual cost of sales in 2013 amounted to RMB2,075.44 million, up by approximately 1.0% when compared to RMB2,054.95 million for the corresponding period last year. The increase was primarily due to increase in production costs resulted from the increase in labour costs and the rent payable under the temporary lease of production facilities from the Group's related company.

The gross profit margin of the Group decreased from approximately 20.1% in 2012 to 19.7% in 2013 mainly due to increase in the sales of gasoline engines with displacement less than 1.6L, which has a lower profit margin.

Other income increased from RMB9.86 million in 2012 to RMB38.38 million in 2013, representing an increase of approximately 289.2%. The increase was mainly due to the increase in government grants for research and development activities and interest income.

Selling and distribution expenses increased by approximately 30.1%, from RMB55.18 million in 2012 to RMB71.81 million in 2013, representing approximately 2.1% and approximately 2.8% of the revenue of 2012 and 2013 respectively. The increase was mainly due to the increase in advertising and promotional expenses for promoting our new products and scaling up our marketing activities.

Administrative expenses increased by approximately 12.7%, from RMB73.96 million in 2012 to RMB83.37 million in 2013, representing approximately 2.9% and approximately 3.2% of the revenue in 2012 and 2013 respectively. The increase was mainly due to increase in staff costs, office expenses and professional fees.

Finance costs decreased by approximately 21.8%, from RMB27.33 million in 2012 to RMB21.36 million in 2013. The decrease was mainly due to decrease in discounting costs resulted from improvement of the Group's working capital position.

Other expenses increased by approximately 65.9% from RMB29.13 million in 2012 to RMB48.33 million in 2013. The significant increase was mainly attributable to the appreciation of RMB against Hong Kong dollar denominated bank deposit raised from the initial public offering of shares of the Company, which resulted in an increase in unrealized foreign exchange translation loss.

The Group's profit before tax decreased by approximately 5.3% from RMB342.10 million in 2012 to RMB324.09 million in 2013.

Income tax expenses increased slightly by approximately 2.6% from RMB51.99 million in 2012 to RMB53.34 million in 2013.

For the year 2013, the net income attributable to owners of the Company was RMB270.75 million, representing a approximately 6.7% decrease from RMB290.11 million in 2012. Basic earnings per share in 2013 amounted to RMB0.222, compared to RMB0.309 in 2012.

Liquidity and financial resources

As at 31st December, 2013, the Group had RMB1,166.37 million in cash and cash equivalents, and RMB191.00 million in pledged bank deposits. The Group had trade and other payables RMB1,750.01 million, and bank borrowings due within one year RMB343.45 million, but had no long-term bank borrowing outstanding as at 31st December, 2013.

Capital structure

As at 31st December, 2013, the Group's total assets was RMB4,448.09 million (2012: RMB3,080.59 million), which was funded by the following: (1) share capital of RMB10.50 million (2012: RMB7.69 million), (2) reserves of RMB2,169.93 million (2012: RMB1,314.81 million) and (3) total liabilities of RMB2,267.66 million (2012: RMB1,758.09 million).

Contingent liabilities

During the year, the Group (i) endorsed certain bills receivable for the settlement of trade and other payables; and (ii) discounted certain bills receivable to banks for raising cash. The Group considers that the risk of 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.

Pledge of assets

As at 31st December, 2013, the Group pledged certain of its land use rights, buildings, plant and machinery with an aggregate carrying value of approximately RMB183.82 million to certain banks to secure certain credit facilities granted to the Group.

As at 31st December, 2013, the Group also pledged bank deposits approximately RMB191.00 million to certain banks to secure certain credit facilities granted to the Group.

Other than transaction disclosed under the paragraph headed “Significant investments” below, there were no major acquisition and disposal of subsidiaries and associated companies undertaken the Group for the year ended 31st December, 2013.

Gearing ratio

As at 31st December, 2013, the Debt-to-Equity ratio, computed by dividing total liabilities by total equity attributable to owners of the company, was approximately 1.04 (2012: 1.33). The decrease in the Debt-to-Equity ratio was mainly due to increase of total equity resulted from issuing new shares for the initial public offering of the Company in first quarter of 2013.

New product

The Group launched one gasoline engine model, namely 3TZ, and one diesel engine model, namely D22TE, to the market in 2013. Depending on market situation, the Group will consider launching new engine models to the market in 2014.

Foreign exchange risks

The Group considers that the effect caused by exchange rate fluctuation on the Group’s financial performance is insignificant. In the future, the Group may consider hedging its foreign currency exposure, if and when necessary. There were no hedging transactions outstanding as at 31st December, 2013.

Employees and remuneration policy

As at 31st December, 2013, the Group employed approximately 1,080 employees (2012: approximately 1,020). Employee costs amounted to approximately RMB87.67 million for the year ended 31st December, 2013 (2012: approximately RMB76.79 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.

Significant investments

On 25th November, 2013, the Group entered into an acquisition agreement in relation to the acquisition of E3 engine production lines and the connection rod production lines. The consideration was finalised at approximately RMB394.28 million from Huachen. The transaction was completed in January 2014.

The Group was authorized by BMW AG of Germany in December 2012 to manufacture a model of engine N20. We are currently in the final stages of testing for the N20 engines prior to the commencement of production of N20 engines. We expect to commence trial production of N20 engines in the second quarter of 2014.

During the year, the construction works of the first phase production facility of Changzhou Dongfeng Xincheng Engine Co., Ltd. has been completed. We are still in the process of procuring and installing major equipment.

Capital Commitments

As at 31st December, 2013, the Group had capital commitments of approximately RMB525.44 million among which contracted capital commitments amounted to approximately RMB189.46 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment and products development.

Future business development

The Group will expand its production capacity and enrich its product portfolio to enhance its competitiveness and strengthen its leading position in the industry.

In addition, the Group will actively explore investment opportunities in engine parts and components related businesses in order to diversify the Group's income source and enhance shareholders' returns.

In 2014, the Group is going to provide N20 engine related assembly services and sell connection rods to BMW Brilliance Automotive Ltd.. Other than the existing businesses, the Group will leverage on the close relationship with BMW Brilliance Automotive Ltd. to explore other potential business opportunities in the future.

DIVIDEND

The directors did not recommend the payment of any dividend in respect of the year ended 31st December, 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Thursday, 29th May, 2014 at 9:00 a.m..

The Hong Kong branch register of members of the Company will be closed from Tuesday, 27th May, 2014 to Thursday, 29th May, 2014, both dates inclusive, during which period no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 29th May, 2014 or their proxies or duly authorised corporate representatives are entitled to attend the annual general meeting. In order to qualify for attending the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 26th May, 2014.

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

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (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 during the period from the Listing Date and up to 31st December, 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 31st December, 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 with all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to 31st December, 2013.

REVIEW OF FINANCIAL STATEMENTS

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

PUBLICATION OF ANNUAL REPORT

The 2013 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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, 26th March, 2014