

POWER XINCHEN

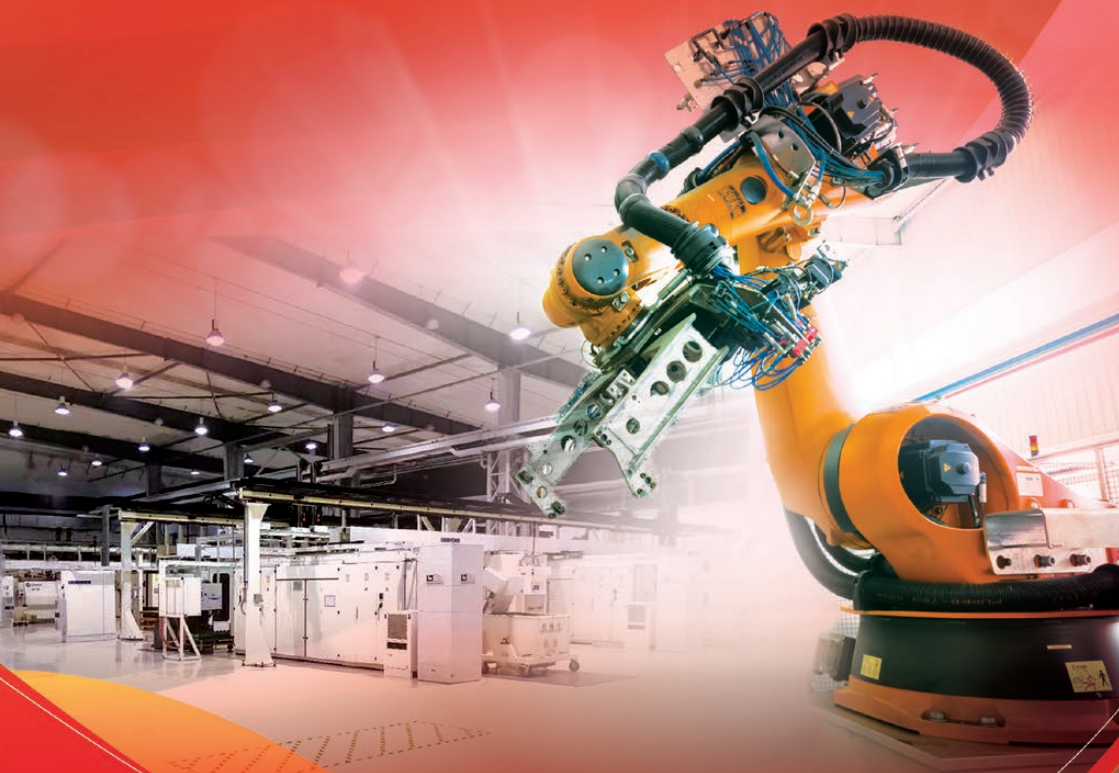
新 晨 动 力

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



2020

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 2020 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended	
		30.6.2020	30.6.2019
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	741,953	1,154,612
Cost of sales		(695,607)	(1,001,051)
Gross profit		46,346	153,561
Other income	5	15,097	11,446
Impairment losses	6	(13,582)	(544)
Other gains and losses	7	(10,069)	(832)
Selling and distribution expenses		(14,392)	(18,422)
Administrative expenses		(54,990)	(61,682)
Other expenses		(7,517)	(2,384)
Finance costs		(38,967)	(41,760)
(Loss)/Profit before tax	8	(78,074)	39,383
Income tax expense	9	(541)	(7,455)
(Loss)/Profit for the period		(78,615)	31,928
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on:			
Receivables measured at fair value through other comprehensive income (“ FVTOCI ”)		(282)	(1,484)
Other comprehensive loss for the period		(282)	(1,484)
Total comprehensive (loss)/income for the period		(78,897)	30,444
(Loss)/Earnings per share – Basic (RMB)	11	(0.061)	0.025

The notes on pages 7 to 25 are an integral part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30.6.2020	31.12.2019
	NOTES	RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,422,274	2,543,565
Prepaid lease payments		128,353	130,164
Intangible assets	12	700,507	669,384
Loan to a shareholder	13	15,035	14,314
Deferred tax assets		18,900	18,182
		<hr/>	<hr/>
		3,285,069	3,375,609
CURRENT ASSETS			
Inventories	14	615,468	658,422
Trade and other receivables	15a	639,273	437,624
Receivables measured at FVTOCI	15b	37,895	34,348
Tax recoverable		9,979	9,555
Amounts due from related companies	16	923,670	1,145,866
Pledged/restricted bank deposits	17	462,535	266,068
Bank balances and cash	17	63,762	98,188
		<hr/>	<hr/>
		2,752,582	2,650,071
		<hr/>	<hr/>
TOTAL ASSETS		6,037,651	6,025,680

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 30 June 2020*

		30.6.2020	31.12.2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade and other payables	<i>18</i>	1,206,678	1,176,139
Amounts due to related companies	<i>19</i>	192,836	215,304
Lease liabilities	<i>20</i>	5,243	8,407
Borrowings due within one year	<i>21</i>	1,259,098	1,008,088
		<hr/> 2,663,855	<hr/> 2,407,938
NET CURRENT ASSETS		<hr/> 88,727	<hr/> 242,133
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 3,373,796	<hr/> 3,617,742
NON-CURRENT LIABILITIES			
Borrowings due after one year	<i>21</i>	421,372	577,723
Lease liabilities	<i>20</i>	1,808	5,231
Deferred income		37,593	42,868
		<hr/> 460,773	<hr/> 625,822
NET ASSETS		<hr/> 2,913,023	<hr/> 2,991,920
CAPITAL AND RESERVES			
Share capital	<i>22</i>	10,457	10,457
Reserves		2,902,566	2,981,463
		<hr/> 2,913,023	<hr/> 2,991,920

The notes on pages 7 to 25 are an integral part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Share premium	Special reserve	Surplus reserves	Deemed distribution to a shareholder	Contribution from a shareholder	FVTOCI reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000 (Note d)	RMB'000	RMB'000	RMB'000
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 (loss)/income 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
At 1 January 2020 (audited)	10,457	700,258	193,457	394,440	(11,285)	8,319	(269)	1,696,543	2,991,920
Loss for the period	-	-	-	-	-	-	-	(78,615)	(78,615)
Other comprehensive loss for the period	-	-	-	-	-	-	(282)	-	(282)
Total comprehensive loss for the period	-	-	-	-	-	-	(282)	(78,615)	(78,897)
At 30 June 2020 (unaudited)	10,457	700,258	193,457	394,440	(11,285)	8,319	(551)	1,617,928	2,913,023

Notes:

- (a) Special reserve represents the difference between paid-in capital of Mianyang Xincheng Engine Co., Limited* (錦陽新晨動力機械有限公司) ("Mianyang Xincheng") and issued share capital of the Company arising from group reorganization.
- (b) Surplus reserves comprise statutory surplus reserve and discretionary surplus reserve of Mianyang Xincheng, 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 Xincheng in accordance with its Articles of Association. Statutory surplus reserve amounting to approximately RMB264,696,000 as at 30 June 2020 (31 December 2019: approximately RMB264,696,000), can be used to make up for previous year's losses or convert into additional capital of Mianyang Xincheng. Discretionary surplus reserve amounting to approximately RMB129,744,000 as at 30 June 2020 (31 December 2019: approximately RMB129,744,000) can be used to expand the existing operations of Mianyang Xincheng.
- (c) 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 Xincheng in prior years.
- (d) Contribution from a shareholder represents the fair value adjustments on shares awarded by Lead In Management Limited ("Lead In") to a third party in prior years. Details of which are set out in Note 13.

* English name for reference only

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/Profit before taxation	(78,074)	39,383
Adjustments for non-cash items	179,727	194,760
	<hr/>	<hr/>
Operating cash flows before changes in working capital	101,653	234,143
Decrease in inventories	42,688	62,525
(Increase)/Decrease in trade and other receivables	(215,231)	46,726
(Increase)/Decrease in receivables measured at FVTOCI	(3,829)	84,745
Increase/(Decrease) in trade and other payables	24,541	(557,085)
Decrease in amounts due from related companies	222,757	170,110
Decrease in amounts due to related companies	(24,558)	(83,846)
	<hr/>	<hr/>
Cash generated from/(used in) operations	148,021	(42,682)
Income tax paid	(1,683)	(5,472)
	<hr/>	<hr/>
<i>Net cash generated from/(used in) operating activities</i>	146,338	(48,154)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	3,948	9,061
Purchase of property, plant and equipment	(7,867)	(166,171)
Proceeds on disposal of property, plant and equipment	192	–
Development costs paid	(35,307)	(32,894)
Withdrawal of pledged/restricted bank deposits	218,939	553,582
Placement of pledged/restricted bank deposits	(415,406)	(223,776)
Proceed from disposal of assets held for sale	–	49,845
Advance to related companies	–	(60)
Repayment from a related company	10	–
	<hr/>	<hr/>
<i>Net cash (used in)/generated from investing activities</i>	(235,491)	189,587
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)*For the six months ended 30 June 2020*

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(46,692)	(47,708)
Repayment of borrowings	(385,393)	(302,807)
New borrowings raised	488,070	146,513
Payment of lease liabilities	(3,348)	(3,876)
Advance from related companies	2,118	121
Repayment to a related company	(28)	–
	<hr/>	<hr/>
<i>Net cash generated from/(used in) financing activities</i>	54,727	(207,757)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,426)	(66,324)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	98,188	223,950
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE,		
represented by bank balances and cash	63,762	157,626
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 Xincheng, 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 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.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to Hong Kong Financial Reporting Standard (" HKFRS ") 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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 in time. All the contracts with customers are agreed at fixed price and the expected duration of the contracts is one year or less.

4.1 Segment revenue and segment results

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

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

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

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (unaudited)	30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (unaudited)
Gasoline engines	260,111	570,653	(6,881)	55,127
Diesel engines	92,736	234,064	5,053	39,440
Engine components	389,106	349,895	48,174	58,994
Total segment and consolidated	741,953	1,154,612	46,346	153,561
Other income			15,097	11,446
Impairment losses			(13,582)	(544)
Other gains and losses			(10,069)	(832)
Selling and distribution expenses			(14,392)	(18,422)
Administrative expenses			(54,990)	(61,682)
Other expenses			(7,517)	(2,384)
Finance costs			(38,967)	(41,760)
(Loss)/Profit before tax			(78,074)	39,383

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

4.1 Segment revenue and segment results (Cont'd)

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 2020 and 2019.

Segment results represent the (loss)/profit contributed by each segment before the allocation of other income, impairment losses, other gains and losses, selling and distribution expenses, administrative expenses, other expenses and finance costs. 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 Xincheng and its subsidiary.

5. OTHER INCOME

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants	10,543	6,274
Bank interest income	3,948	4,609
Imputed interest income from loan to a shareholder	472	437
Rental income under operating leases	134	126
	<hr/>	<hr/>
	15,097	11,446
	<hr/>	<hr/>

6. IMPAIRMENT LOSSES

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Impairment losses recognised on:		
– Trade and other receivables (Note 15a)	13,582	417
– Amounts due from related companies (Note 16)	–	127
	<hr/>	<hr/>
	13,582	544
	<hr/>	<hr/>

7. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net gain arising on financial assets at fair value through profit or loss ("FVTPL"), realised	–	4,614
Net gain arising on financial liabilities at FVTPL, realised	–	1,121
Net gain arising on financial liabilities at FVTPL, unrealised	–	280
Foreign exchange losses, net	(8,649)	(2,784)
Gain on disposal of assets classified as held for sale	–	652
Gain on disposal of miscellaneous materials	780	–
Net loss arising on receivables measured at FVTOCI	(2,869)	(5,041)
Gain on disposal of property, plant and equipment (<i>Note 12</i>)	2	–
Reversal of provision for impairment losses on amounts due from related companies (<i>Note 16</i>)	571	–
Others	96	326
	(10,069)	(832)

8. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Employee benefits expenses (including directors):		
– Salaries and other benefits	54,075	68,405
– Retirement benefit scheme contributions	3,542	16,732
Total staff costs	57,617	85,137
Depreciation of right-of-use assets	3,338	3,566
Depreciation of property, plant and equipment	128,009	144,403
Depreciation of prepaid lease payments	1,811	1,654
Amortisation of intangible assets (included in cost of sales)	6,291	18,399
Total depreciation and amortisation	139,449	168,022

9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020 <i>RMB'000</i> (unaudited)	30.6.2019 <i>RMB'000</i> (unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current tax	1,259	7,455
– Under provision in prior year	–	–
	<hr/>	<hr/>
	1,259	7,455
Deferred tax	(718)	–
	<hr/>	<hr/>
	541	7,455
	<hr/>	<hr/>

Mianyang Xinchun was subject to 15% EIT rate for both periods ended 30 June 2020 and 2019, 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 Xinchun 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.

10. DIVIDENDS

No dividend has been paid or declared by the Company during both periods ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30.6.2020 (unaudited)	30.6.2019 (unaudited)
(Loss)/Earnings		
(Loss)/Profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share (<i>RMB'000</i>)	(78,615)	31,928
	<hr/>	<hr/>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,282,211,794	1,282,211,794
	<hr/>	<hr/>

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.

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

During the current interim period, the Group acquired property, plant and equipment, other than construction in progress, amounting to approximately RMB556,000 (six months ended 30 June 2019: approximately RMB5,329,000) for the purpose of upgrading its manufacturing capacity of the Group. During the current interim period, the Group disposed certain plant and equipment with an aggregate carrying amount of approximately RMB190,000 (six months ended 30 June 2019: nil) resulting in a gain on disposal of approximately RMB2,000 (six months ended 30 June 2019: nil).

In addition, during current interim period, the Group had approximately RMB12,929,000 (six months ended 30 June 2019: approximately RMB165,917,000) addition to construction in progress, primarily for scaling up the Group's production facilities and capacity. Included in the total addition was approximately RMB5,618,000 (six months ended 30 June 2019: approximately RMB5,075,000) interests capitalised.

During the current interim period, the Group capitalised development costs of technical know-how of new automotive engines amounting to approximately RMB37,414,000 (six months ended 30 June 2019: approximately RMB32,894,000) for the purposes of expanding its products range of gasoline and diesel engines. Included in the total addition was approximately RMB2,107,000 (six months ended 30 June 2019: approximately RMB2,107,000) interest capitalised.

The Group entered into lease agreements 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. During the six months ended 30 June 2020, the Group entered into a modified contract and revised the monthly rental of production facilities. As the modification did not add the right to use one or more underlying assets, it was not accounted for as a separate lease. Accordingly, the Group remeasured the existing lease liabilities including the lease payments for the revised monthly rental using a revised discount rate. The difference between the carrying amount of the modified lease liability and the lease liability immediately before the modification of approximately RMB3,239,000 was adjusted to the right-of-use assets.

As at 30 June 2020, the carrying amounts of the Group's right-of-use assets in respect of office premises and production facilities amounting to approximately RMB6,717,000 (six months ended 30 June 2019: approximately RMB17,987,000).

13. LOAN TO A SHAREHOLDER

As detailed in Note 28, 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 ("**Brilliance Investment**") and Xinhua Investment Holdings Limited ("**Xinhua Investment**"), advanced loans in equal amounts of HK\$20,000,000 to the Company (collectively, the "**Loans from Shareholders**"). In return, (i) the Company lent an aggregate amount of HK\$40,000,000, equal to the Loans from Shareholders, to Lead In (the "**Loan to a Shareholder**") 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 28). All the loans are non-trade related, unsecured and interest-free.

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 2020.

At 30 June 2020, 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 approximately RMB472,000 (six months ended 30 June 2019: approximately RMB437,000) 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.

14. INVENTORIES

During the six months ended 30 June 2020, an additional provision of approximately RMB266,000 (six months ended 30 June 2019: approximately RMB202,000) of inventories were made, which is determined with reference to the net realisable value of the inventory items.

15. **TRADE AND OTHER RECEIVABLES AND RECEIVABLES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

a. **Trade and other receivables comprise the following:**

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade receivables	568,243	261,957
Less: ECL allowance	<u>(35,674)</u>	<u>(8,677)</u>
Trade receivables, net	532,569	253,280
Bills receivable	45,761	76,772
Less: ECL allowance	<u>(167)</u>	<u>(136)</u>
Total trade and bills receivables	578,163	329,916
Prepayments for purchase of raw materials and engine components	12,862	14,190
Other receivables (<i>Note</i>)	48,527	93,797
Less: ECL allowance	<u>(279)</u>	<u>(279)</u>
	<u>639,273</u>	<u>437,624</u>

Note: Included in the balance is value added tax recoverable of approximately RMB19,909,000 (at 31 December 2019: approximately RMB49,352,000).

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 ECL allowance, presented based on the invoice date as at the end of the reporting period:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 1 month	133,752	82,535
Over 1 month but within 2 months	9,064	15,846
Over 2 months but within 3 months	5,677	3,945
Over 3 months but within 6 months	3,512	2,806
Over 6 months but within 1 year	19,173	82,387
Over 1 year	<u>361,391</u>	<u>65,761</u>
	<u>532,569</u>	<u>253,280</u>

15. **TRADE AND OTHER RECEIVABLES AND RECEIVABLES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Cont'd)**

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

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

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 3 months	37,718	49,764
Over 3 months but within 6 months	7,876	26,872
	45,594	76,636

At 30 June 2020 and 31 December 2019, the Group engaged an independent qualified valuer to assess the impairment of its customers based on provision matrix. The table below provided information about the exposure to credit risk and ECL for trade receivables which were assessed based on provision matrix as at 30 June 2020 and 31 December 2019:

30 June 2020

	Gross carrying amount <i>RMB'000</i> (unaudited)	Loss rate range %	ECL <i>RMB'000</i> (unaudited)
Not past due	126,454	0.74-4.75	1,141
<i>Past due:</i>			
Within 1 month	22,634	0.74-4.75	474
Over 1 month but within 3 months	2,514	0.74-4.75	51
Over 3 months but within 6 months	17,759	0.74-32.14	763
Over 6 months but within 1 year	13,779	2.92-32.14	688
Over 1 year	385,103	2.92-32.14	32,557
	568,243		35,674

31 December 2019

	Gross carrying amount <i>RMB'000</i> (audited)	Loss rate range %	ECL <i>RMB'000</i> (audited)
Not past due	67,399	0.74-1.21	509
<i>Past due:</i>			
Within 1 month	31,804	0.74-1.21	375
Over 1 month but within 3 months	4,346	0.74-4.75	70
Over 3 months but within 6 months	11,922	0.74-4.75	434
Over 6 months but within 1 year	92,997	1.21-4.75	4,272
Over 1 year	53,489	4.75-32.14	3,017
	261,957		8,677

15. **TRADE AND OTHER RECEIVABLES AND RECEIVABLES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Cont'd)**

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

Movement in the ECL of trade receivables:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
At beginning of period/year	8,677	2,978
Transferred from ECL of amounts due from related companies (<i>Note 16</i>)	13,446	–
ECL recognised	13,551	5,699
	<hr/>	<hr/>
At end of the reporting period/year	35,674	8,677

Movement in the ECL of bills receivables:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
At beginning of period/year	136	–
ECL recognised	31	136
	<hr/>	<hr/>
At end of the reporting period/year	167	136

Movement in the ECL of other receivables:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
At beginning of period/year	279	–
ECL recognised	–	279
	<hr/>	<hr/>
At end of the reporting period/year	279	279

b. **Receivables measured at fair value through other comprehensive income:**

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Receivables measured at FVTOCI from third parties	37,895	24,640
Receivables measured at FVTOCI from related companies	–	9,708
	<hr/>	<hr/>
	37,895	34,348

16. AMOUNTS DUE FROM RELATED COMPANIES

Analysed as:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade related	923,539	1,145,725
Non-trade related	131	141
	<hr/> 923,670	<hr/> 1,145,866

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

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Huachen Group^a		
Shenyang Brilliance Power Train Machinery Co., Ltd.* 瀋陽華晨動力機械有限公司 ("Shenyang Brilliance")	284,877	320,399
Huachen Automotive Group Holdings Company Limited* 華晨汽車集團控股有限公司 ("Huachen Automotive")	24,458	22,419
	<hr/> 309,335	<hr/> 342,818
Brilliance China Group		
Shenyang XingYuanDong Automobile Component Co., Ltd.* 瀋陽興遠東汽車零部件有限公司	144,503	141,658
Renault Brilliance JinBei Automobile Co., Ltd.* 華晨雷諾金杯汽車有限公司 ("Renault Brilliance")	5,939	4,771
Shenyang ChenFa Automobile Component Co., Ltd.* 瀋陽晨發汽車零部件有限公司 ("Shenyang ChenFa")	287,479	276,377
BMW Brilliance Automotive Ltd.* 華晨寶馬汽車有限公司 ("BMW Brilliance Automotive")	176,087	133,374
	<hr/> 614,008	<hr/> 556,180
Wuliangye Group		
Mianyang Xinhua Trading Co., Ltd.* 綿陽新華商貿有限公司 ("Xinhua Trading")	196	102
Other related companies		
Mianyang Huarui Automotive Company Limited** 綿陽華瑞汽車有限公司 ("Mianyang Huarui")	-	132,520
Mianyang Huaxiang Machinery Manufacturing Co., Ltd.** 綿陽華祥機械製造有限公司 ("Mianyang Huaxiang")	-	109,274
Shenyang Jinbei Vehicle Manufacturing Co., Ltd.** ^{***} 瀋陽金杯車輛製造有限公司 ("Jinbei Vehicle Manufacturing")	-	4,831
	<hr/> -	<hr/> 246,625
	<hr/> 923,539	<hr/> 1,145,725

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

Notes:

* English name for reference only

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

^ There were common directors who had influence over the Group and the entities and hence, Mianyang Huarui and Mianyang Huaxiang (a subsidiary of Mianyang Huarui) were considered as related parties of the Group in accordance with HKAS 24 Related Party Disclosures as at 31 December 2019. As at 30 June 2020, there is no common director who has influence over the Group and the entities and hence, Mianyang Huarui and Mianyang Huaxiang are no longer considered as related parties of the Group.

^^ There were common directors who had influence over the Group and the entity and hence, Jinbei Vehicle Manufacturing was considered as a related party of the Group in accordance with HKAS 24 Related Party Disclosures as at 31 December 2019. As at 30 June 2020, there is no common director who has influence over the Group and the entity and hence, Jinbei Vehicle Manufacturing is no longer considered as related party of the Group.

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9. To measure the ECL of amounts due from related companies, the balances have been assessed based on individual assessment. At 30 June 2020 and 31 December 2019, the Group engaged a valuer to assess the credit rating for its customers and applying the expected loss rate ranging from 0.1% to 0.5% (31 December 2019: 0.1% to 6.3%) over the gross carrying amounts. As at 30 June 2020, ECL allowance amounting to approximately RMB1,464,000 (31 December 2019: 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.

Movement in the ECL:

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
At beginning of period/year	15,481	15,481
Transferred to ECL of trade receivables (Note 15a)	(13,446)	-
Reversal of ECL	(571)	-
	<hr/>	<hr/>
At end of the reporting period/year	1,464	15,481

30.6.2020	31.12.2019
RMB'000	RMB'000
(unaudited)	(audited)

Trade related balances analysed as:

Trade receivables	923,261	1,145,540
Prepayments	278	185
	<hr/>	<hr/>
	923,539	1,145,725

16. **AMOUNTS DUE FROM RELATED COMPANIES (Cont'd)**

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:

	30.6.2020	31.12.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Within 3 months	346,156	328,735
Over 3 months but within 6 months	36,507	92,265
Over 6 months but within 1 year	130,133	218,303
Over 1 year	410,465	506,237
	<hr/>	
	923,261	1,145,540
	<hr/>	
	30.6.2020	31.12.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-trade related:		
Huachen Group, Brilliance China Group and Wuliangye Group	131	141
	<hr/>	

17. **PLEGGED/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH**

Balances denominated in foreign currencies:

	30.6.2020	31.12.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Hong Kong Dollars	3,187	12,606
United States Dollars	2,654	2,612
European Dollars	367	-
	<hr/>	

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

18. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade payables	515,986	572,322
Bills payable	442,016	361,981
	<hr/>	<hr/>
Total trade and bills payables	958,002	934,303
Accrued purchase of raw materials	183,474	164,405
Construction payables	4,735	4,400
Payroll and welfare payables	19,561	31,468
Advances from customers (<i>Note i</i>)	2,040	1,752
Provision for warranty (<i>Note ii</i>)	4,006	4,006
Retention money	12,205	13,936
Other tax payables	272	230
Accrued operating expenses	9,854	10,012
Other payables	12,529	11,627
	<hr/>	<hr/>
	1,206,678	1,176,139

Notes:

- i. As at 30 June 2020 and 31 December 2019, the balance represented the contract liabilities, i.e. the Group's obligation to transfer goods or services to customers for which the Group had received consideration from the customers. During the period ended 30 June 2020, 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 12 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:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 3 months	281,277	364,909
Over 3 months but within 6 months	114,394	81,309
Over 6 months but within 1 year	46,277	72,150
Over 1 year but within 2 years	74,038	53,954
	<hr/>	<hr/>
	515,986	572,322

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

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 3 months	230,444	156,021
Over 3 months but within 6 months	146,572	205,960
Over 6 months but within 1 year	65,000	–
	<hr/>	<hr/>
	442,016	361,981

19. AMOUNTS DUE TO RELATED COMPANIES

	30.6.2020 <i>RMB '000</i> (unaudited)	31.12.2019 <i>RMB '000</i> (audited)
Trade related:		
Huachen Group		
Huachen Automotive	610	610
Shenyang Brilliance	4,704	127
Shenyang Brilliance Jinbei Automobile Sales Co., Ltd.* 瀋陽華晨金杯汽車銷售有限公司	9	–
	<hr/> 5,323	<hr/> 737
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	31,247	19,580
Shenyang ChenFa	3,583	3,574
BMW Brilliance Automotive	14,699	14,060
Shenyang Jinbei Vehicle Dies Manufacturing Co., Ltd.* 瀋陽金杯汽車模具製造有限公司	14	11
Renault Brilliance	5,517	5,519
	<hr/> 55,060	<hr/> 42,744
Wuliangye Group		
Xinhua Trading	28	–
Mianyang Xinhua Internal Combustion Engine Joint-Stock Company Limited* 綿陽新華內燃機股份有限公司 ("Xinhua Combustion Engine")	120,364	159,328
Sichuan Yi Bin Pushi Automotive Components Co., Ltd.* 四川省宜賓普什汽車零部件有限公司	7,630	10,154
Mianyang Xin Xinmao Trading Co., Ltd.* 綿陽新鑫茂商貿有限公司	696	696
	<hr/> 128,718	<hr/> 170,178
	<hr/> 189,101	<hr/> 213,659
Non-trade related:		
Huachen Group		
Huachen Automotive	341	341
Shenyang Brilliance	1,848	–
	<hr/> 2,189	<hr/> 341
Brilliance China Group		
Brilliance China	1,546	1,276
Wuliangye Group		
Xinhua Combustion Engine	–	28
	<hr/> 3,735	<hr/> 1,645
	<hr/> 192,836	<hr/> 215,304

* English name for reference only

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

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade related balances analysed as:		
Trade payables	29,984	127,238
Bills payable	159,117	86,421
	<hr/> 189,101	<hr/> 213,659

The average credit period for supply of goods/raw material and provision of services is 3 to 6 months. The ageing 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:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 3 months	439	86,457
Over 3 months but within 6 months	12,494	15,114
Over 6 months but within 1 year	4,721	16,310
Over 1 year	12,330	9,357
	<hr/> 29,984	<hr/> 127,238

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

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 3 months	102,257	44,490
Over 3 months but within 6 months	33,360	41,931
Over 6 months but within 1 year	23,500	–
	<hr/> 159,117	<hr/> 86,421

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. LEASE LIABILITIES

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Total minimum lease payments:		
Due within one year	5,495	8,962
Due in the second to fifth years	1,848	5,424
	<hr/> 7,343	<hr/> 14,386
Future finance charges on leases liabilities	(292)	(748)
	<hr/> 7,051	<hr/> 13,638
	 30.6.2020 <i>RMB'000</i> (unaudited)	 31.12.2019 <i>RMB'000</i> (audited)
Present value of minimum lease payments:		
Due within one year	5,243	8,407
Due in the second to fifth years	1,808	5,231
	<hr/> 7,051	<hr/> 13,638
<i>Less:</i>		
Portion due within one year included under current liabilities	(5,243)	(8,407)
	<hr/> 1,808	<hr/> 5,231
Portion due after one year included under non-current liabilities	1,808	5,231

21. BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB488,070,000 (six months ended 30 June 2019: approximately RMB146,513,000) carrying interest ranging from 2.97% to 5.00% (six months ended 30 June 2019: 4.95% to 5.00%) per annum. 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.

22. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2019, 30 June 2019 and 30 June 2020	8,000,000,000	80,000,000
	<hr/>	<hr/>
<i>Issued and fully paid:</i>		
At 31 December 2019 and 30 June 2020	1,282,211,794	12,822,118
	<hr/>	<hr/>
	 30.6.2020 <i>RMB'000</i> (unaudited)	 31.12.2019 <i>RMB'000</i> (audited)
Share capital presented in the condensed consolidated statement of financial position	10,457	10,457

23. 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 2020 and 31 December 2019:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
<i>Financial assets:</i>		
At amortised cost*	2,051,517	1,871,783
Receivables measured at FVTOCI	37,895	34,348
	2,089,412	1,906,131
<i>Financial liabilities:</i>		
At amortised cost**	2,862,939	2,829,642
Lease liabilities	7,051	13,638
	2,869,990	2,843,280

* *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.*

24. OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned was approximately RMB134,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB138,000).

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

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within one year	72	284

25. CAPITAL COMMITMENTS

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Capital expenditure in respect of acquisition of property, plant and equipment, prepaid lease payments and development costs		
– contracted for but not provided in the condensed consolidated financial statements	70,260	101,093

26. 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:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Settlement of trade and other payables	204,781	195,705
Discounted bills for raising of cash	427,460	243,942
Outstanding endorsed and discounted bills receivable with recourse	632,241	439,647

Maturity analysis of the outstanding endorsed and discounted bills receivable:

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Within 3 months	200,089	244,845
Over 3 months but within 6 months	141,462	163,066
Over 6 months but within 12 months	290,690	31,736
	632,241	439,647

27. 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	
	30.6.2020 RMB '000 (unaudited)	30.6.2019 RMB '000 (unaudited)
Sale of goods		
Brilliance China Group	443,269	484,577
Huachen Group	20,199	119,967
Wuliangye Group	68,535	—
	532,003	604,544
Purchase of goods		
Brilliance China Group	47,156	41,943
Wuliangye Group	37,617	80,366
Huachen Group	4,050	72
	88,823	122,381
Lease payment and auxiliary services		
Huachen Group	1,848	2,658
Brilliance China Group	1,864	1,781
	3,712	4,439
Repairment fee		
Wuliangye Group	79	76
Cleaning and greening services received		
Wuliangye Group	100	1,241
Water and electricity costs charged		
Wuliangye Group	442	726

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 of the Company consider those State-controlled Entities as independent third parties so far as the Group's business transactions with them are concerned.

28. 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 2020. As at 30 June 2020, Lead In held 33,993,385 Shares under the Discretionary Trust.

During the six months ended 30 June 2020 and 2019, no Share has been exercised, lapsed or forfeited under the Fixed Trust and the Discretionary Trust.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business review

As the novel coronavirus took its toll during the reporting period, industries across the board showed significantly decline in sales figures, and the automobile industry was no exception. In the first half of 2020, the Group achieved total unaudited revenue of approximately RMB741.95 million, representing a decrease of approximately 35.7% compared to approximately RMB1,154.61 million for the corresponding period last year. The decrease in revenue was mainly due to a decrease in the sales of engines. Apart from the reason mentioned above, the decrease in the sales of the engines was caused by the unfavorable automobile market environment. Even before the deadly outbreak, car sales in China were in decline due to a slowing economy and trade tensions with the United States.

Sales volume of engines decreased by approximately 60.6%, from approximately 72,600 units in the first half of 2019 to approximately 28,620 units in the first half of 2020, mainly due to the decrease in sales of both gasoline and diesel engines.

With respect to the engines business segment, the Group recorded approximately 56.2% decrease in the segment revenue, from approximately RMB804.72 million in the first half of 2019 to approximately RMB352.85 million in the first half of 2020. The decrease was mainly due to a decrease in the sales of both gasoline and diesel engines.

With respect to the engine components segment, the Group recorded approximately 11.2% increase in the segment revenue, from approximately RMB349.90 million in the first half of 2019 to approximately RMB389.11 million in the first half of 2020. The increase was mainly due to a slight increase in the sales of connecting rods and increase in sales of accessories in the first half of 2020. The Group sold approximately 252,950 units of crankshaft in the first half of 2020, representing approximately 2.0% decrease compared to approximately 258,200 units for the corresponding period of 2019. The decrease was due to the decrease in demand for Bx8 crankshafts as requested by BMW Brilliance Automotive.

The Group sold approximately 396,500 units of connecting rods in the first half of 2020, representing approximately 29.7% increase compared to approximately 305,800 units for the corresponding period of 2019. The increase in the unit sales of connecting rods was mainly due to an increase in demand of Bx8 connecting rods during the reporting period.

The unaudited cost of sales amounted to approximately RMB695.61 million in the first half of 2020, representing a decrease of approximately 30.5% compared to approximately RMB1,001.05 million for the corresponding period last year. The decrease was less than the corresponding decrease in the Group's total unaudited revenue, as there was only slight decrease in fixed cost.

The gross profit margin of the Group decreased as the volume of production decreased significantly whilst the fixed cost remained during the period. It was approximately 6.3% in the first half of 2020 whilst it was approximately 13.3% in the first half of 2019.

The unaudited other income increased from approximately RMB11.45 million for the first half of 2019 to approximately RMB15.10 million for the first half of 2020, representing an increase of approximately 31.9%. The increase was mainly due to the increase in government grants recognized during the period.

Impairment losses increased from approximately RMB0.54 million in the first half of 2019 to approximately RMB13.58 million in the first half of 2020. The increase was mainly due to an impairment of trade and other receivables from certain customers.

The unaudited other gains and losses increased from net losses of approximately RMB0.83 million for the first half of 2019 to net losses of approximately RMB10.07 million for the first half of 2020. The increase was mainly due to more unrealized foreign exchange translation loss recognized and less net gain arising on financial assets at fair value through profit and loss account recognized in the first half of 2020.

The unaudited selling and distribution expenses decreased by approximately 21.9%, from approximately RMB18.42 million in the first half of 2019 to approximately RMB14.39 million in the first half of 2020, representing approximately 1.6% and approximately 1.9% of the revenue in the first half of 2019 and 2020 respectively. The decrease in terms of value was mainly due to a decrease in transportation and sales staff costs.

The unaudited administrative expenses decreased by approximately 10.8%, from approximately RMB61.68 million in the first half of 2019 to approximately RMB54.99 million in the first half of 2020, representing approximately 5.3% and approximately 7.4% of the revenue in the first half of 2019 and 2020 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 sales volume.

The unaudited finance costs decreased by approximately 6.7%, from approximately RMB41.76 million in the first half of 2019 to approximately RMB38.97 million in the first half of 2020. The decrease was mainly due to decrease in the discount rate of short-term financing by discounting bills during the course of business.

The Group's unaudited profit before tax was approximately RMB39.38 million in the first half of 2019, whereas there was unaudited loss before tax of approximately RMB78.07 million in the first half of 2020.

The unaudited income tax expenses decreased by approximately 92.7%, from approximately RMB7.46 million in the first half of 2019 to approximately RMB0.54 million in the first half of 2020. The decrease was due to the decrease in business transacted during the period.

In the first half of 2020, the Group recorded unaudited net loss attributable to the owners of the Company of approximately RMB78.62 million, which compares to unaudited net profit attributable to the owners of the Company of approximately RMB31.93 million for the six months ended 30 June 2019.

Liquidity and financial resources

As at 30 June 2020, the Group had approximately RMB63.76 million in bank balances and cash (31 December 2019: approximately RMB98.19 million), and approximately RMB462.54 million in pledged/restricted bank deposits (31 December 2019: approximately RMB266.07 million).

As at 30 June 2020, the Group had trade and other payables of approximately RMB1,206.68 million (31 December 2019: approximately RMB1,176.14 million), bank borrowings due within one year in the amount of approximately RMB1,259.10 million (31 December 2019: approximately RMB1,008.09 million), and bank borrowings due after one year in the amount of approximately RMB421.37 million (31 December 2019: approximately RMB577.72 million).

Pledge of assets

As at 30 June 2020, the Group pledged certain of its land use rights, buildings, plant and machinery with a total value of approximately RMB82.86 million (31 December 2019: approximately RMB100.15 million) to certain banks to secure certain credit facilities granted to the Group.

As at 30 June 2020, the Group also pledged bank deposits of approximately RMB460.20 million (31 December 2019: approximately RMB261.30 million) to certain banks to secure certain credit facilities granted to the Group.

Gearing ratio

As at 30 June 2020, the Debt-to-Equity ratio of the Group, computed by dividing total liabilities by total equity attributable to the owners of the Company, was approximately 1.07 (31 December 2019: approximately 1.01).

As at 30 June 2020, the gearing ratio, computed by dividing bank borrowings by total equity attributable to owners of the Company, was approximately 57.7% (31 December 2019: approximately 53.0%). Both Debt-to-Equity ratio and gearing ratio were slightly increased, which were mainly due to increase in total bank borrowings and decrease in total equity.

Contingent liabilities

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

Capital commitments

As at 30 June 2020, the Group had capital commitments of approximately RMB388.07 million (31 December 2019: approximately RMB479.09 million), of which contracted capital commitments amounted to approximately RMB70.26 million (31 December 2019: approximately RMB101.09 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 Renminbi. Since the Group has certain assets and liabilities, such as receivables, payables, cash and bank borrowings, denominated in foreign currencies, such as United States Dollar and Hong Kong Dollar, the Group is exposed to foreign currency translation risk. The Group 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 2020, the Group had approximately 1,274 employees (30 June 2019: approximately 1,603). Employee costs amounted to approximately RMB57.62 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB85.14 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 2020, the country shutdown in February and March to fight the novel coronavirus pandemic and the consumers' concerns over a slowing economy and trade tension with the United States resulted in the further dampened sales of the passenger vehicles segment of the automotive sector in the PRC after the lackluster performance in 2019. According to the China Association of Automobile Manufacturers ("CAAM"), the sales of passenger vehicles segment recorded a decline of 22.5% on a year-on-year basis in the first half of 2020 whilst the sales of commercial vehicles segment recorded a growth of 9.5%. Passenger vehicles account for about 76.7% of sales of the automotive sector. The decline of the passenger vehicles segment was mainly driven by a decrease in demand for sedan cars and sport-utility vehicles ("SUVs"). As such, the sale volume of our engine products decreased significantly during the reporting period.

The current global economic uncertainties and pandemic development may continue to pose threat to the PRC's automobile markets. In view of this situation, the PRC government has already implemented various policies to boost the automobile sales, including purchase subsidies, relaxation of new issuance of license plates in core cities, exemption of vehicle purchase tax, to promote automobile sales growth. As we see from the latest statistics released by CAAM, the automobile sales in June 2020 shows a sign of rebound as both the passenger vehicles (in particular, the SUV units) and commercial vehicles post double-digit growth year-on-year. This is attributable to the release of the long-accumulated purchase power as the outbreak of the novel coronavirus in the beginning of the year restrains people from shopping. Amid the continual woe of the novel coronavirus, however, the PRC government shows capability to keep the confirmed cases at a low level nationwide. Pent-up demand and consumers trying to avoid public transport to lower the risks of being infected will help getting more customers back into showrooms after lockdown measures eased. Thus, it is expected that in the second half of the year automobile sales may be able to approach the same level as last year.

During the reporting period, the Group recorded a significant decline in the sales of both the gasoline and diesel engines due to decrease in demand from customers. The sales of engine components recorded a slight increase in revenue.

Regarding the prince engine business (the CE engine business), the sales is much lower than the original forecast. This is mainly affected by the unexpected withdrawal of orders from some of the customers as the novel coronavirus pandemic hugely affected the industry chain during the period. This trend is particularly obvious in the mid to lower-end market. The Group has confidence that more contribution from the sales of CE engines will be back on track from the second half of 2020 and the years ahead. We have been preparing various versions of Prince engines with different power output to be industrialized. Our CE engine technology is authorized and developed on the basis of BMW Prince Engine, which has won the World's Best Ten Engines in eight consecutive years. CE engine adopted leading and mature technologies with strategic positioning of "high starting point, high quality, and high platform". An expert team from BMW Germany provided all-around supports on research and development, industrialization, supply chain management, quality management and project management, ensuring the engine production is in accordance with BMW process certification, BMW quality philosophy and BMW quality standard.

CE engine family currently consists of three displacements model of 1.2L, 1.6L and 1.8L with different performance level and hybrid derivatives. CE engine meets requirements of CN6b emission regulation and the fourth phase fuel consumption. The CE engine is applicable for SUV, passenger vehicle, multi-purpose vehicle, A-class vehicle models, etc. Although the sales volume shows disappointing results during the period which is badly affected by the pandemic across the country and the world, the Group still believes that CE engines will become the key driver for the Group's engine business going forward. In addition to existing customers, we are in new cooperation with a number of automobile manufacturers which confirmed orders for CE engines in the coming few years.

At present, our XCE branded traditional and CE engines are all CN6 emission standard compliant. The switch from CN5 to CN6 is a huge technical test for engine manufacturers as the time allowed for the switch is shortened, leaving us a very short reaction time to deal with the change. Since we have an independent, robust technological research and development system, this would enable us to fulfil this national requirement before the deadline in July 2020.

Regarding engine components business, the crankshaft production line for Bx8 engines and connecting rods production showed a continued growth in sales in the first half of 2020 when compared to the corresponding period in 2019. As set out in Brilliance China's annual report for 2019, BMW Brilliance Automotive achieved sales of 545,919 (2018: 466,182 units) BMW vehicles in 2019 which showed a double-digit growth 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, BMW officially nominated us as the next generation of Bx8 engine crankshaft and connecting rod supplier and the supply period has been extended to 2030, and the shared order of connecting rod production will be increased from 30% to 50%.

In addition, BMW has fully affirmed us the pursuit of excellent quality, and it is another milestone in the development components business. So far, we delivered over 2.0 million crankshafts and 5.0 million connecting rods to BMW. At the same time, we maintained high quality of customer after-sales service for 7 consecutive years. We won the BMW "Quality Excellence Award" and became BMW's excellent supplier. We will continue to uphold the core values of being close to our customers, and be responsible, open and transparent, and continuous innovation to further enhance core competitiveness and push forward the development of the Group.

The Group will continue to explore new business opportunities with BMW AG, BMW Brilliance Automotive and other strategic partners in the future.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020. As at 30 June 2020, 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 2020 and no expenses were recognised by the Group for the period under review (six months ended 30 June 2019: 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 2019 annual report of the Company is set out below:

- Mr. Yang Ming resigned as chairman of Sichuan Yibin Pushi Dies Co., Ltd. (四川省宜賓普什模具有限公司) and chairman of Chengdu Pushi Vehicle Dies Co., Ltd. (成都普什汽車模具有限公司) on 13 May 2020.

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

As at 30 June 2020, 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	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	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 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 38.35% 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 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 2020.

Save as disclosed herein, as at 30 June 2020, 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 2020, 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 2020.

Save as disclosed above, as at 30 June 2020, 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 2020.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 19 October 2017, Mianyang Xinchun (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 Xinchun (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.

On 8 June 2020, Mianyang Xinchun (as borrower) and the Company (as guarantor) entered into two banking facility agreements (the "**Facility Letters 2020**") with a financial institution as lender for (i) a term loan facility of US\$4,000,000; and (ii) a term loan facility of US\$36,000,000, respectively, with the final maturity date being three years from the date of first drawdown. Under the Facility Letters 2020, 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 2020 were set out in the announcement of the Company dated 8 June 2020.

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 2020.

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 2020.

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 2020.

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. Gao Weimin 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, 20 August 2020