POWER XINCHEN
新 晨 动 力

XINCHEN CHINA POWER HOLDINGS LIMITED
新晨中國動力控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1148)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board of directors (the "**Board**") of Xinchen China Power Holdings Limited (the "**Company**") announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2026 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

		Six months ended	
	Notes	**30 June 2026** ***RMB'000*** **(unaudited)**	30 June 2025 *RMB'000* (unaudited)
Revenue	*3*	**1,222,902**	2,804,434
Cost of sales		**(1,137,807)**	(2,672,046)
Gross profit		**85,095**	132,388
Other income	*4*	**20,262**	27,264
Impairment losses, net	*5*	**(998)**	(166)
Other gains and losses, net	*6*	**58,131**	(1,809)
Selling and distribution expenses		**(17,401)**	(14,257)
Administrative expenses		**(70,875)**	(89,856)
Other expenses		**(17,340)**	(8,142)
Finance costs		**(21,440)**	(19,774)
Share of loss of an associate		**(11,527)**	(7,901)
Profit before tax	*7*	**23,907**	17,747
Income tax expense	*8*	**(2,853)**	(1,254)
Profit for the period		**21,054**	16,493

	Notes	Six months ended 30 June 2026 RMB'000 (unaudited)	30 June 2025 RMB'000 (unaudited)
Attributable to:			
Equity holders of the Company		**18,083**	16,493
Non-controlling interests		**2,971**	–
		21,054	16,493
Earnings per share attributable to equity holders of the Company			
Basic and diluted *(RMB)*	*10*	**0.014**	0.013
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on:			
Finance assets measured at fair value through other comprehensive income ("**FVTOCI**")		**–**	36
Other comprehensive income for the period		**–**	36
Total comprehensive income for the period		**21,054**	16,529
Attributable to:			
Equity holders of the Company		**18,083**	16,529
Non-controlling interests		**2,971**	–
		21,054	16,529

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	30 June 2026 RMB'000 (unaudited)	31 December 2025 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,321,281**	1,000,285
Right-of-use assets	*11*	**510**	204,345
Prepaid lease payments		**177,695**	105,332
Interest in an associate		**238,119**	249,646
Intangible assets	*11*	**502,842**	502,421
Deferred tax assets		**17,844**	6,140
Loan to a shareholder		**10,099**	9,915
		2,268,390	2,078,084
CURRENT ASSETS			
Inventories		**518,779**	436,947
Trade and other receivables	*12*	**865,468**	1,022,247
Amounts due from related companies	*13*	**3,030**	3,497
Pledged bank deposits		**37,486**	40,988
Bank balances and cash		**132,683**	272,554
		1,557,446	1,776,233
CURRENT LIABILITIES			
Trade and other payables	*14*	**566,170**	461,254
Amounts due to related companies	*15*	**45,025**	33,335
Amount due to an associate		**192,977**	665,844
Borrowings due within one year		**564,177**	551,710
Lease liabilities	*16*	**515**	136,744
Tax payable		**2,708**	337
		1,371,572	1,849,224
NET CURRENT ASSETS/(LIABILITIES)		**185,874**	(72,991)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,454,264**	2,005,093

	Notes	30 June 2026 RMB'000 (unaudited)	31 December 2025 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings due after one year		**566,978**	107,800
Lease liabilities	*16*	**–**	127,526
Deferred income		**5,144**	6,960
		572,122	242,286
NET ASSETS		**1,882,142**	1,762,807
CAPITAL AND RESERVES			
Share capital	*17*	**10,457**	10,457
Reserves		**1,770,433**	1,752,350
		1,780,890	1,762,807
Non-controlling interests		**101,252**	–
TOTAL EQUITY		**1,882,142**	1,762,807

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

1. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

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 of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB'**"), unless otherwise stated.

Acquisitions of subsidiaries

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not subsequently remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as a financial liability is subsequently remeasured at each reporting dates at fair value with changes in fair value recognised in profit or loss.

2. ADOPTION OF AMENDED HKFRS ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

Amended HKFRS Accounting Standards that are effective for annual period beginning on 1 January 2026

The condensed consolidated interim financial statements for the six months ended 30 June 2026 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the following amended HKFRS Accounting Standards which are effective as of 1 January 2026.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

The amendments did not have a material impact on the condensed consolidated interim financial statements of the Group.

Issued but not yet effective HKFRS Accounting Standards

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRS Accounting Standards have been published but are not yet effective, and have not been adopted early by the Group. The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The directors expected that the new and amended HKFRS Accounting Standards issued but not effective are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

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.

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 sale of gasoline engines, diesel engines, engine components and special vehicle components is recognised at a point of time. All the contracts with customers are agreed at fixed price and the expected duration of the contracts is one year or less.

3.1 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.

During the six months period ended 30 June 2026, due to the acquisition of a subsidiary, the Board has identified "special vehicle components" as a new reportable segment.

The Group has four reportable operating segments as follows:

(1) Gasoline engines;

(2) Diesel engines;

(3) Engine components; and

(4) Special vehicle components.

Revenue reported above represents revenue generated from sale of goods or service provision to external customers. There were no inter-segment sales during the six months ended 30 June 2026 and 2025.

Segment results represent the profit earned by each segment before the allocation of other income, net of impairment losses, net of other gains and losses, selling and distribution expenses, administrative expenses, other expenses, finance costs and share of loss of an associate. This is the measure reported to the Board for the purpose of resource allocation and performance assessment.

Segment assets exclude interest in an associate, loan to a shareholder, pledged bank deposits and bank balances and cash as these assets are managed on a group basis.

Segment liabilities exclude borrowings and amounts due to related parties as these liabilities are managed on a group basis.

The following is an analysis of the Group's revenue and results by reportable segments for the six months ended 30 June 2026:

	Gasoline engines *RMB'000*	Diesel engines *RMB'000*	Engine components *RMB'000*	Special vehicle components *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2026 (unaudited)					
Revenue					
– From external customers	**641,720**	**56,302**	**249,534**	**275,346**	**1,222,902**
Segment revenue	**641,720**	**56,302**	**249,534**	**275,346**	**1,222,902**
Segment results	**15,543**	**11,047**	**30,756**	**27,749**	**85,095**
Other income					**20,262**
Impairment losses, net					**(998)**
Other gains and losses, net					**58,131**
Selling and distribution expenses					**(17,401)**
Administrative expenses					**(70,875)**
Other expenses					**(17,340)**
Finance costs					**(21,440)**
Share of loss of an associate					**(11,527)**
Profit before tax					**23,907**

The following is an analysis of the Group's revenue and results by reportable segments for the six months ended 30 June 2025:

	Gasoline engines *RMB'000*	Diesel engines *RMB'000*	Engine components *RMB'000*	Special vehicle components *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2025 (unaudited)					
Revenue					
– From external customers	2,389,029	53,832	361,573	–	2,804,434
Segment revenue	2,389,029	53,832	361,573	–	2,804,434
Segment results	74,051	5,929	52,408	–	132,388
Other income					27,264
Impairment losses, net					(166)
Other gains and losses, net					(1,809)
Selling and distribution expenses					(14,257)
Administrative expenses					(89,856)
Other expenses					(8,142)
Finance costs					(19,774)
Share of loss of an associate					(7,901)
Profit before tax					17,747

The assets and liabilities by reportable segments as at 30 June 2026

	Gasoline engines, diesel engines and engine components* *RMB'000*	Special vehicle components *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at 30 June 2026 (unaudited)				
Segment assets	**2,764,274**	**642,641**	**534**	**3,407,449**
Interest in an associate				**238,119**
Unallocated assets				**180,268**
Total assets				**3,825,836**
Segment liabilities	**688,254**	**77,070**	**2,190**	**767,514**
Unallocated liabilities				**1,176,180**
Total liabilities				**1,943,694**

* No discrete financial information on segment assets and segment liabilities is available for these three segments.

The assets and liabilities by reportable segments as at 31 December 2025

	Gasoline engines, diesel engines and engine components* *RMB'000*	Special vehicle components *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at 31 December 2025 (restated)				
Segment assets	3,279,850	–	1,364	3,281,214
Interest in an associate				249,646
Unallocated assets				323,457
Total assets				3,854,317
Segment liabilities	1,392,713	–	5,952	1,398,665
Unallocated liabilities				692,845
Total liabilities				2,091,510

* No discrete financial information on segment assets and segment liabilities is available for these three segments.

3.2 Geographical information

The majority of the Group's operations and non-current assets are located in the People's Republic of China ("**PRC**"); and all of the Group's revenue from external customers is generated in the PRC, which is the country of domicile of the operating subsidiaries.

4. OTHER INCOME

	Six months ended	
	30 June 2026	30 June 2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**612**	1,125
Bad debt recovered	**2,552**	5,412
Additional recoverable value-added tax granted by local tax bureau	**–**	4,034
Compensation income	**11**	5,700
Government grants	**11,824**	3,883
Imputed interest income from loan to a shareholder	**544**	558
Rental income under operating leases	**4,257**	4,349
Utility income	**404**	2,203
Sundry income	**58**	–
	20,262	27,264

5. IMPAIRMENT LOSSES, NET

	Six months ended	
	30 June 2026	30 June 2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses recognised on:		
– Trade and other receivables *(Note 12)*	**998**	166

6. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June 2026	30 June 2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange gains, net	**2,207**	7
Gain on disposal of miscellaneous materials	**2**	2,418
Gain on disposal of property, plant and equipment	**95**	–
Gain on modification of lease	**51,995**	–
Loss on written-off of property, plant and equipment	**(1,811)**	(3,577)
Net loss arising on receivables measured at FVTOCI	**(1,096)**	(657)
Fair value change of contingent consideration	**(677)**	–
Gain on bargain purchase on acquisition of a subsidiary	**7,416**	–
	58,131	(1,809)

7. PROFIT BEFORE TAX

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

	Six months ended	
	30 June 2026	30 June 2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Employee benefits expenses (including directors):		
– Salaries and other benefits	**70,614**	52,209
– Retirement benefit scheme contributions	**14,583**	13,835
Total staff costs	**85,197**	66,044
Fair value change of contingent consideration	**677**	–
Gain on bargain purchase on acquisition of a subsidiary	**(7,416)**	–
Depreciation of right-of-use assets	**25,926**	51,924
Depreciation of property, plant and equipment	**45,124**	42,419
Depreciation of prepaid lease payments	**2,676**	2,060
Amortisation of intangible assets	**11,489**	35,448
Total depreciation and amortisation	**85,215**	131,851

8. INCOME TAX EXPENSE

	Six months ended	
	30 June 2026	30 June 2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
– Current tax	**4,188**	1,977
– Deferred tax	**(1,335)**	(723)
	2,853	1,254

According to the extension announcement of "The State Administration of Taxation on extension on EIT related with enhancing the Western Region Development Strategy" (國家稅務總局關於延續西部大開發企業所得稅政策的公告), Mianyang Xinchen Engine Co., Limited* (綿陽新晨動力機械有限公司) will be eligible to the reduced EIT rate of 15% from 2021 to 2030.

Pursuant to the relevant laws and regulations in the PRC, Xinchen Engine (Shenyang) Co., Limited* (新晨動力機械(瀋陽)有限公司) and Shanxi Xinchen Lantian Equipment Manufacturing Co., Ltd.* (山西新晨蘭田裝備製造有限公司) obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% during the six months ended 30 June 2026 and 2025.

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

9. DIVIDENDS

No dividend has been paid or declared by the Company during both periods ended 30 June 2026 and 2025, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2026 (unaudited)	30 June 2025 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(RMB'000)*	**18,083**	16,493
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,282,211,794**	1,282,211,794

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

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

During the current interim period, the Group acquired property, plant and equipment, other than construction in progress, amounting to approximately RMB1,037,000 (six months ended 30 June 2025: approximately RMB689,000) for the purpose of upgrading its manufacturing capacity of the Group. During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB348,000 (six months ended 30 June 2025: approximately RMB3,888,000) resulting in a loss on written off of approximately RMB1,811,000 (six months ended 30 June 2025: approximately RMB3,577,000) and a gain on disposal of approximately RMB95,000 (six months ended 30 June 2025: Nil).

In addition, during current interim period, the Group had approximately RMB4,605,000 (six months ended 30 June 2025: approximately RMB11,799,000) addition to construction in progress, primarily for scaling up the Group's production facilities and capacity.

During the current interim period, the Group capitalised development costs of technical know-how of new automotive engines amounting to approximately RMB11,630,000 (six months ended 30 June 2025: approximately RMB9,592,000) for the purposes of expanding its products range of gasoline and diesel engines.

As at 30 June 2026, the carrying amounts of the Group's right-of-use assets in respect of office premises and production facilities amounted to approximately RMB510,000 (31 December 2025: approximately RMB204,345,000).

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
Trade receivables	**854,372**	1,178,703
Less: Allowance for credit losses	**(296,443)**	(295,527)
Trade receivables, net	**557,929**	883,176
Bills receivable	**127,831**	115,190
Less: Allowance for credit losses	**–**	–
Total trade and bills receivables	**685,760**	998,366
Prepayments for purchase of raw materials and engine components	**53,869**	20,152
Land resumption compensation receivables	**114,136**	–
Other receivables	**11,706**	3,729
Less: Allowance for credit losses	**(3)**	–
	865,468	1,022,247

The Group generally allows a credit period of 30 to 120 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 expect credit losses ("**ECL**") allowance, presented based on the invoice date as at the end of the reporting period:

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
Within 1 month	**209,546**	337,689
Over 1 month but within 2 months	**302,026**	531,206
Over 2 months but within 3 months	**1,382**	1,601
Over 3 months but within 6 months	**37,438**	10,641
Over 6 months but within 1 year	**6,034**	1,107
Over 1 year	**1,503**	932
	557,929	883,176

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 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**87,801**	57,453
Over 3 months but within 6 months	**40,030**	57,737
	127,831	115,190

At 30 June 2026 and 31 December 2025, the Group assessed 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 2026 and 31 December 2025:

30 June 2026 (unaudited)

	Gross carrying amount	**Loss rate range**	**ECL**
	RMB'000	***%***	***RMB'000***
	(unaudited)		**(unaudited)**
Not past due	**514,699**	**0.90-2.10**	**2,839**
Past due:			
Within 1 month	**35,102**	**0.90-2.10**	**392**
Over 1 month but within 3 months	**4,213**	**0.90-4.79**	**35**
Over 6 months but within 1 year	**6,061**	**0.90-4.79**	**68**
Over 1 year	**294,297**	**41.18-100.00**	**293,109**
	854,372		**296,443**

31 December 2025 (audited)

	Gross carrying amount *RMB'000* (audited)	Loss rate range %	ECL *RMB'000* (audited)
Not past due	866,620	0.90-2.10	1,613
Past due:			
Within 1 month	6,026	0.90-2.10	145
Over 1 month but within 3 months	2,285	0.90-4.79	44
Over 3 months but within 6 months	7,745	0.90-4.79	232
Over 6 months but within 1 year	1,653	0.90-4.79	51
Over 1 year	294,374	41.18-100.00	293,442
	1,178,703		295,527

Movement in the ECL of trade receivables:

	30 June 2026 ***RMB'000*** **(unaudited)**	31 December 2025 *RMB'000* (audited)
At the beginning of the reporting period/year	**295,527**	294,407
Acquisition of subsidiary	**1,331**	–
ECL recognised	**998**	1,120
Amount written off	**(1,413)**	–
At the end of the reporting period/year	**296,443**	295,527

13. AMOUNTS DUE FROM RELATED COMPANIES

Analysed as:

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
Non-trade related	**24**	25
Trade related, gross	**270,217**	270,683
Less: Allowance for credit losses	**(267,211)**	(267,211)
Trade receivables, net	**3,006**	3,472
	3,030	3,497

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

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
Huachen Group#		
Shenyang Brilliance Power Train Machinery Co., Ltd.* 瀋陽華晨動力機械有限公司	**1,703**	1,703
Brilliance China Group##		
Jinbei (Shenyang) Automotive Co., Ltd.* 金杯(瀋陽)汽車有限公司 ("**Jinbei Shenyang**")	**–**	266
Shenyang XingYuanDong Automobile Component Co., Ltd.* 瀋陽興遠東汽車零部件有限公司	**1,303**	1,503
	3,006	3,472

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

\## *Brilliance China Automotive Holdings Limited and its subsidiaries collectively referred to as "**Brilliance China 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. As at 30 June 2026, the Group assessed the credit rating for its customers and applying the expected loss rate ranging from 0.1% to 100% (31 December 2025: 0.1% to 100%) over the gross carrying amounts. As at 30 June 2026, ECL allowance amounting to approximately RMB267,211,000 (31 December 2025: approximately RMB267,211,000) was recognised based on individual assessment by reference to the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

Movement in the ECL:

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
At the beginning and the end of the reporting period/year	**267,211**	267,211

14. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30 June 2026 *RMB'000* **(unaudited)**	31 December 2025 *RMB'000* (audited)
Trade payables	**263,148**	231,613
Bills payable	**142,027**	149,900
Total trade and bills payables	**405,175**	381,513
Construction payables	**4,679**	7,433
Payroll and welfare payables	**2,252**	14,441
Advances from customers *(Note i)*	**15,469**	25,204
Provision for warranty *(Note ii)*	**9,154**	11,778
Retention money	**14,708**	10,963
Provision for operating expenses	**6,771**	5,349
Contingent consideration payable	**55,224**	–
Other payables	**52,738**	4,573
	566,170	461,254

Notes:

i. As at 30 June 2026 and 31 December 2025, 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 2026, the contract liabilities balance at the beginning of the period were fully recognised as revenue from sale of goods.

   The decrease of contract liabilities as at 30 June 2026 is mainly due to the decrease in the deposits received as a result of less manufacturing orders received during the reporting period.

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

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

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**144,070**	199,359
Over 3 months but within 6 months	**57,142**	15,657
Over 6 months but within 1 year	**36,084**	5,856
Over 1 year but within 2 years	**18,293**	488
Over 2 years	**7,559**	10,253
	263,148	231,613

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 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**53,651**	79,386
Over 3 months but within 6 months	**84,609**	59,848
Over 6 months but within 1 year	**3,767**	10,666
	142,027	149,900

15. AMOUNTS DUE TO RELATED COMPANIES

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related:		
Huachen Group		
Huachen Automotive	**–**	610
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	**3,734**	5,105
Jinbei Shenyang	**12,261**	–
Shenyang ChenFa Automobile Component Co., Ltd.* 瀋陽晨發汽車零部件有限公司	**3,439**	3,439
Shenyang JinBei Vehicle Dies Manufacturing Co., Ltd.* 瀋陽金杯汽車模具製造有限公司	**15**	15
Wuliangye Group###		
Mianyang Xinhua Trading Co., Ltd.* 綿陽新華商貿有限公司	**164**	251
Mianyang Xinhua Intelligent Drive Technology Co., Ltd.* (formerly known as Mianyang Xinhua Internal Combustion Engine Joint Stock Company Limited*) 綿陽新華智驅科技股份有限公司（前稱為綿陽新華內燃機股份有限公司）	**25,228**	23,638
Sichuan Yi Bin Pushi Automotive Components Co., Ltd.* 四川省宜賓普什汽車零部件有限公司	**20**	20
	44,861	33,078
Non-trade related:		
Brilliance China Group		
Brilliance China	**164**	257
	45,025	33,335

Sichuan Province Yibin Wuliangye Group Co., Ltd. (四川省宜賓五糧液集團有限公司) and its subsidiaries collectively referred to as "**Wuliangye Group**"*

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade related balances analysed as:		
Trade payables	**29,321**	16,870
Bills payable	**15,540**	16,208
	44,861	33,078

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

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**24,917**	11,493
Over 3 months but within 6 months	**193**	1,140
Over 6 months but within 1 year	**635**	9
Over 1 year	**3,576**	4,228
	29,321	16,870

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

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**6,280**	5,720
Over 3 months but within 6 months	**9,260**	10,488
	15,540	16,208

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.

16. LEASE LIABILITIES

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Total minimum lease payments:		
Within 1 year	**520**	146,015
After 1 year but within 2 years	**–**	130,726
	520	276,741
Future finance charges on leases liabilities	**(5)**	(12,471)
Present value of leases liabilities	**515**	264,270

17. SHARE CAPITAL

	Number of shares	**Amount**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2025, 31 December 2025 and 30 June 2026	8,000,000,000	80,000,000
Issued and fully paid:		
At 31 December 2025 and 30 June 2026	1,282,211,794	12,822,118

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Share capital presented in the condensed consolidated statement of financial position	**10,457**	10,457

MANAGEMENT'S DISCUSSION & ANALYSIS

Business review

In the first half of 2026, the Group achieved total unaudited revenue of approximately RMB1,222.90 million, representing a decrease of approximately 56.39% compared to approximately RMB2,804.43 million for the corresponding period last year. The decrease in revenue was mainly due to a decrease in the trading of extended range gasoline engines during the period.

Sales volume of engines decreased by approximately 71.53%, from approximately 236,000 units in the first half of 2025 to approximately 67,200 units in the first half of 2026, mainly due to the decrease in trading of extended range gasoline engines.

With respect to the engines business segment, the Group recorded approximately 71.43% decrease in the segment revenue, from approximately RMB2,442.86 million in the first half of 2025 to approximately RMB698.02 million in the first half of 2026. The decrease was mainly due to a decrease in the trading of extended range gasoline engines.

With respect to the engine components segment, the Group recorded approximately 30.99% decrease in the segment revenue, from approximately RMB361.57 million in the first half of 2025 to approximately RMB249.53 million in the first half of 2026. The decrease in revenue was mainly due to the reduction in demand from customers because of the gradual shift from traditional engine models to the pure electric ones. The Group sold approximately 164,000 units of Bx8 crankshaft in the first half of 2026, representing an approximately 14.14% decrease compared to approximately 191,000 units for the corresponding period of 2025.

The Group sold approximately 321,000 units of connecting rods in the first half of 2026, representing an approximately 17.05% decrease compared to approximately 387,000 units for the corresponding period of 2025. The decrease in the sales volume of connecting rods was mainly due to decrease in sales for use by BMW models.

The unaudited cost of sales amounted to approximately RMB1,137.81 million in the first half of 2026, representing a decrease of approximately 57.42% compared to approximately RMB2,672.05 million for the corresponding period last year. The decrease was generally in line with the decrease in the Group's total unaudited revenue.

The gross profit margin of the Group increased as the sales volume of traditional gasoline and diesel engines increased which derived a slightly higher profit margin. It was approximately 6.96% in the first half of 2026 whilst it was approximately 4.72% in the first half of 2025.

The unaudited other income decreased from approximately RMB27.26 million for the first half of 2025 to approximately RMB20.26 million for the first half of 2026, representing a decrease of approximately 25.68%.

An impairment loss of approximately RMB1.00 million for the first half of 2026 was recognized whereas there was approximately RMB0.20 million recognized for the first half of 2025.

The unaudited other gains and losses amounted to a gain of approximately RMB58.13 million for the first half of 2026 whereas there was a loss of approximately RMB1.81 million for the first half of 2025. The gain was mainly due to the gain on lease modification in respect of the sale and leaseback transaction entered into with BMW Brilliance Automotive Ltd. during the year ended 31 December 2022.

The unaudited selling and distribution expenses increased by approximately 22.05%, from approximately RMB14.26 million in the first half of 2025 to approximately RMB17.40 million in the first half of 2026, representing approximately 0.51% and approximately 1.42% of the revenue in the first half of 2025 and 2026 respectively. The increase in terms of value was mainly due to the increase in the sales of traditional engines business. The increase in terms of percentage value was mainly due to a greater extent of decrease in revenue of the trading of the extended range gasoline engines during the period in 2026.

The unaudited administrative expenses decreased by approximately 21.12%, from approximately RMB89.86 million in the first half of 2025 to approximately RMB70.88 million in the first half of 2026, representing approximately 3.20% and approximately 5.80% of the revenue in the first half of 2025 and 2026 respectively. The decrease in terms of amount was mainly due to the decrease in amortisation of intangible assets and the general decrease in office expenses. The increase in terms of percentage value was mainly due to the greater extent of decrease in revenue during the period.

The unaudited finance costs increased by approximately 8.43%, from approximately RMB19.77 million in the first half of 2025 to approximately RMB21.44 million in the first half of 2026. The increase was mainly due to the completion of acquisition of a subsidiary during the period.

The Group's unaudited profit before tax increased by approximately 34.71%, from approximately RMB17.75 million in the first half of 2025 to approximately RMB23.91 million in the first half of 2026.

The unaudited income tax expense increased by approximately 127.51%, from approximately RMB1.25 million for the first half of 2025 to approximately RMB2.85 million for the first half of 2026. This increase was due to more income tax being recognized during the reporting period.

For the first half of 2026, the Group recorded unaudited profit attributable to the owners of the Company of approximately RMB18.08 million, representing an increase of approximately 9.64% compared to approximately RMB16.49 million for the corresponding period of 2025.

Liquidity and financial resources

As at 30 June 2026, the Group had approximately RMB132.68 million in bank balances and cash (31 December 2025: approximately RMB272.55 million), and approximately RMB37.49 million in pledged bank deposits (31 December 2025: approximately RMB40.99 million).

As at 30 June 2026, the Group had trade and other payables of approximately RMB566.17 million (31 December 2025: approximately RMB461.25 million), bank borrowings due within one year in the amount of approximately RMB564.18 million (31 December 2025: approximately RMB551.71 million), and bank borrowings due after one year in the amount of approximately RMB566.98 million (31 December 2025: approximately RMB107.80 million).

Pledge of assets

As at 30 June 2026, the Group pledged certain of its land use rights, buildings, construction in progress with an aggregate carrying value of approximately RMB154.81 million (31 December 2025: approximately RMB64.03 million) to certain banks to secure certain credit facilities and other borrowings granted to the Group.

As at 30 June 2026, the Group also pledged bank deposits of approximately RMB37.49 million (31 December 2025: approximately RMB40.99 million) to certain banks to secure certain credit facilities granted to the Group.

As at 30 June 2026, the Group pledged certain of its receivables with an aggregate gross amount, before impairment loss, of approximately RMB1.51 million (31 December 2025: approximately RMB1.51 million) to secure general banking facilities granted to the Group.

Gearing ratio

As at 30 June 2026, the debt-to-equity ratio of the Group, computed by dividing total liabilities by total equity attributable to the equity owners of the Company, was approximately 1.09 (31 December 2025: approximately 1.19). The decrease in the debt-to-equity ratio was mainly due to the significant decrease in amount due to an associate in relation to the trading of extended range gasoline engines during the period.

As at 30 June 2026, the gearing ratio, computed by dividing borrowings by total equity attributable to owners of the Company, was approximately 63.52% (31 December 2025: approximately 37.41%). The increase in gearing ratio was mainly due to the increase in total bank borrowings after acquisition of a subsidiary during the period.

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 2026, the Group had capital commitments contracted for but not provided for in the condensed consolidated financial statements of approximately RMB48.06 million (31 December 2025: approximately RMB94.74 million). These were primarily related to the acquisition of property, plant and equipment and the remaining capital injection into a subsidiary.

Foreign exchange risks

The Group's functional currency is RMB. Since the Group has certain assets and liabilities, such as receivables, payables, cash and bank borrowings, denominated in foreign currencies, such as United States Dollar and Hong Kong Dollar, the Group is exposed to foreign currency translation risk.

The Group has monitored and will continue to monitor its foreign exchange risks and may consider hedging its foreign currency exposure, if and when necessary.

Employees and remuneration policy

As at 30 June 2026, the Group had approximately 1,274 employees (30 June 2025: approximately 1,004). Employee costs amounted to approximately RMB85.20 million for the six months ended 30 June 2026 (for the six months ended 30 June 2025: approximately RMB66.04 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

China's economy has demonstrated resilient growth in the first half of 2026 amid a challenging global environment, supported by industrial output, export strength, and strategic policy measures. The automobile manufacturing sector remained a key contributor despite overall market headwinds, including weak domestic consumption, continuing difficulty in the property sector, and adjustments in consumer incentives. The PRC government continues to support the industry by taking steps to stabilize growth, promoting technological upgrading, and promoting high-quality development in new energy vehicles ("**NEV**").

In the first half of 2026, passenger vehicle sales in the PRC declined by approximately 6% year-on-year to around 12.72 million units, according to the China Association of Automobile Manufacturers. While the broader market faced downward pressure, NEV demonstrated relative resilience, with total NEV sales (including pure battery electric vehicles ("**BEV**") and plugin hybrid electric vehicles/range-extended electric vehicles ("**REEV**") growing around 7.3% to approximately 7.45 million units. NEV continued to gain market share, approaching or exceeding 50% in some monthly production figures in the first half of the year. Exports provided a significant offset to weaker domestic demand, surging notably and helping stabilize industry volumes.

During the reporting period, the Group's revenue declined substantially, primarily due to lower demand for extended-range gasoline engines supplied through the joint venture company ("**JVC**") with Li Auto Inc. ("**Li Auto**"). This reflected Li Auto's reduced sales of range-extended models amid a product mix shift toward BEV, as well as softer overall demand in the REEV segment. Contributions from traditional gasoline and diesel engines and related components continued, but were not sufficient to offset the decline in the range-extender business.

The REEV technology continues to offer consumers a practical balance of electric driving experience and long-distance convenience without range anxiety. However, in the first half of 2026, the REEV segment experienced softer demand, with sales declining amid a broader market shift toward BEV.

Li Auto, a key player in this space, saw reduced volumes for its L-series sport-utility vehicles (L9, L8, L7 and L6) during the period, partly due to model transition cycles, while its pure-electric models gained a larger share of its total deliveries. The JVC remains an important platform for long-term strategic cooperation, supplying extended-range gasoline engines. Looking ahead, we hope that demand will stabilise as Li Auto and other partners roll out refreshed REEV models featuring improved battery capacities and upgraded range-extender technologies. The Group is actively seeking additional major NEV customers to expand the adoption of our NEV-compatible engines for range-extension applications, both in the domestic and overseas markets.

In the engine components business, certain segments such as crankshafts for Bx8 engines continued to face pressure, mainly due to the substantial decline in sales of BMW's engine-driven models in the PRC market during the first half of 2026. To mitigate this impact, we are intensifying efforts to secure new customers and expanding our component offerings tailored for NEV applications, in line with the industry's ongoing shift toward electrification.

Going forward to the second half of 2026 and beyond, we expect the PRC automobile industry to stabilize gradually, supported by ongoing policy frameworks, technological innovation, and export growth. The purchase tax incentives for NEV remain in place through 2027, with a halved exemption (capped at RMB15,000 per vehicle) applicable in 2026–2027, providing continued though moderated support for consumer adoption. Further policy normalization and a focus on self-sustaining growth are anticipated post-2027, alongside emphasis on quality upgrades, autonomous driving advancements, and supply chain resilience.

The Group remains optimistic about the long-term prospects of the NEV sector, particularly REEV, and will continue to leverage our JVC partnership with Li Auto while diversifying our customer base and enhancing capabilities in NEV-related engines and components. We will also monitor macroeconomic indicators, policy developments, and market dynamics closely to adapt our strategies and capture opportunities in this evolving landscape.

Following the successful completion of the acquisition of a majority interest in Zhonghang Lantian Equipment Manufacturing Co., Ltd. (subsequently renamed as Shanxi Xinchen Lantian Equipment Manufacturing Co., Ltd.) in January 2026, the Group has expanded its business into the special-purpose and off-road vehicle sectors. This strategic move enables the Group to diversify beyond passenger vehicle engines into markets such as mining vehicles, wide-body dump trucks and heavy-duty automated guided vehicles. It also creates opportunities to supply range-extender engines to these segments, which are expected to remain predominantly range-extended for a longer period due to demanding operating conditions in mine areas. The acquisition broadens the Group's customer base, strengthens its product portfolio and supports longer-term growth and risk diversification amid the ongoing electrification of the automotive industry.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: nil).

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 2026.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance, consistent with the needs and requirements of the business and its shareholders. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules. The Company has complied with all code provisions of the CG Code throughout the six months ended 30 June 2026.

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 2026.

At present, the audit committee comprises Mr. Chi Guohua, Mr. Wang Jun and Ms. Dong Yan, all of whom are independent non-executive directors. Mr. Chi Guohua is the chairman of the audit committee.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two executive directors: Mr. Zhang Wei *(Chairman)* and Mr. Deng Han *(Chief Executive Officer)*; two non-executive directors: Mr. Yang Ming and Ms. Huang Yu; and three independent non-executive directors: Mr. Chi Guohua, Mr. Wang Jun and Ms. Dong Yan.

By Order of the Board
Xinchen China Power Holdings Limited
Zhang Wei
Chairman

Hong Kong, 20 August 2026

* *for identification purposes only*