



Ruifeng Power Group Company Limited
瑞豐動力集團有限公司

(Incorporated in Cayman Islands with limited liability)
Stock code : 2025

■ Interim Report

2023

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Meng Lianzhou
(Chairman and Chief Executive Officer)
Mr. Liu Zhanwen
Mr. Liu Enwang
Mr. Zhang Yuexuan

Independent Non-Executive Directors

Mr. Wan Ming
Mr. Ren Keqiang
Mr. Yu Chun Kau

AUDIT COMMITTEE

Mr. Yu Chun Kau (Chairman)
Mr. Wan Ming
Mr. Ren Keqiang

NOMINATION COMMITTEE

Mr. Wan Ming (Chairman)
Mr. Meng Lianzhou
Mr. Yu Chun Kau

REMUNERATION COMMITTEE

Mr. Ren Keqiang (Chairman)
Mr. Meng Lianzhou
Mr. Yu Chun Kau

COMPANY SECRETARY

Mr. Lee Yiu Man (appointed on 30 June 2023)
Mr. Wong Ka Wai (resigned on 30 June 2023)

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Meng Lianzhou
Mr. Lee Yiu Man (appointed on 30 June 2023)
Mr. Wong Ka Wai (resigned on 30 June 2023)

LEGAL ADVISOR

As to Hong Kong Law:
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AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered
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PRINCIPAL BANKERS

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Shenzhen Branch

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CORPORATE INFORMATION

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HONG KONG SHARE REGISTRAR BRANCH

Tricor Investor Services Limited
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16 Harcourt Road
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 2025

WEBSITE

www.hbsgt.com

COMPANY OVERVIEW

Ruifeng Power Group Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) is a specialized manufacturer of cylinder blocks and cylinder heads, a major structure in automobile engines, based in Shenzhou, Hebei Province, the People’s Republic of China (the “**PRC**”).

Production of cylinder blocks and cylinder heads in the PRC has historically been split between internal production by manufacturers of automobiles and automobile engines and external outsourcing to specialized producers of automobile engine spare parts. The size of our business operations and significant production capacity allow us to secure the use of our products by some of the leading automobile manufacturers and engine producers located in the PRC. As at 30 June 2023, we owned and operated a total of 5 precision casting lines and 31 mechanical processing lines (including 24 for cylinder blocks, 5 for cylinder heads and 2 for other ancillary cylinder block components).

The main products are:

Cylinder Blocks – A main structure of the automobile engine in which combustion of fuel takes place. It provides space for the required number of cylinders along with the associated surrounding structures, including coolant passages, intake and exhaust passages and crankcases. As a central component of an automobile engine, defect acceptance levels for cylinder blocks need to be very low as it directly affects the engine performance, life and other important indicators.

Cylinder Heads – A major component of the engine which sits on top of the cylinder blocks and provides space for passages that feed air and fuel into a cylinder and allow the exhaust to escape. A cylinder heads has to withstand high pressure and high temperatures while retaining its shape and form to seal the cylinder blocks via the head gasket.

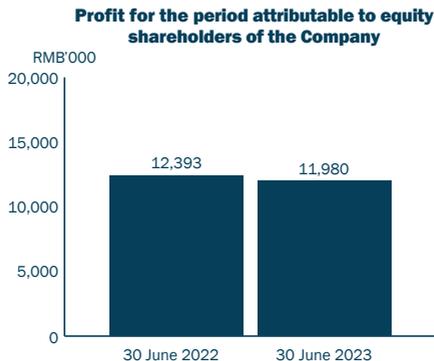
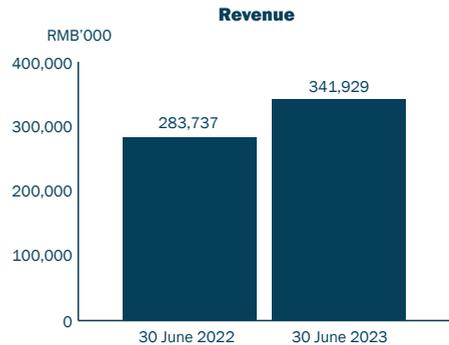
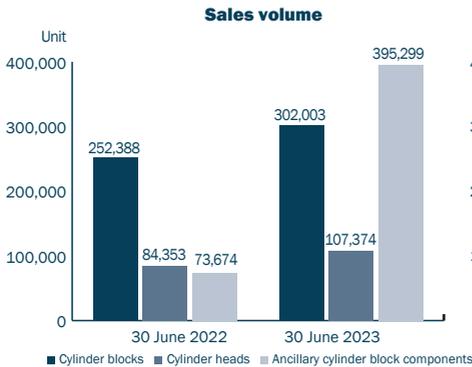
Ancillary Cylinder Block Components – including main bearing cap and flywheel. Main bearing caps are used in piston engines to secure the crankshaft against the cylinder blocks. Our main bearing caps help prevent the forces created by the piston and transmitted to the crankshaft by forcing the crank to convert the reciprocating movement into rotation. A flywheel is designed to keep the crankshaft in the cylinder blocks turning smoothly during the periods when no power is being applied. Our flywheels are easy to install and highly resistant to rust and corrosion.

We believe that the following competitive strengths of the Group can bring our customers the most economical and reliable products:

- The specialized manufacturer of cylinder blocks and an established producer of cylinder heads in the PRC;
- A high level of flexibility in production facilities and process to meet the specific needs of different customers;
- Continuous optimization and innovation of production process and technologies; and
- Strong design and research and development capabilities.

FINANCIAL SUMMARY

	Six months ended 30 June		
	2023 (Unaudited)	2022 (Unaudited)	Change
Major items of Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenue (RMB'000)	341,929	283,737	20.5%
Gross profit (RMB'000)	50,359	46,224	8.9%
<i>Gross profit margin</i>	14.7%	16.3%	(1.6ppt)
Profit for the period attributable to equity shareholders of the Company (RMB'000)	11,980	12,393	(3.3%)
Net profit margin	3.5%	4.4%	(0.9ppt)
Basic and diluted earnings per share (RMB cent)	1.50	1.55	



FINANCIAL SUMMARY

	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Major Items of Consolidated Statement of Financial Position		
Non-current assets (RMB'000)	972,734	989,811
Current assets (RMB'000)	701,261	614,195
Current liabilities (RMB'000)	543,119	578,704
Net current assets (RMB'000)	158,142	35,491
Non-current liabilities (RMB'000)	133,178	40,770
Net assets (RMB'000)	997,698	984,532
Gearing ratio (Note)	29.6%	23.9%

Note

Gearing ratio equals total debts divided by total equity as at the end of the year or period. Total debt includes all interest-bearing borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

With the diminishing impact of the pandemic on the economy and social life when the pandemic prevention and control measures in the PRC enters a new phase, automobile sales have emerged as a key priority for governments worldwide to drive domestic demand and stimulate consumption of high-value consumer goods. Year 2023 is destined to be an exceptional year for the automobile market. Combined with the consistent favorable government policies for the development of the automobile industry, the PRC's automobile market is expected to witness a steady growth in the volume of automobile production and sales in 2023. According to the data disclosed on the website of the China Association of Automobile Manufacturers, from January to June 2023, the volume of automobile production and sales in the PRC reached 13.248 million units and 13.239 million units, respectively, representing an increase of 9.3% and 9.8% as compared to the corresponding period last year, respectively.

In 2023, the PRC government introduced a series of policies and measures at the national and local levels to promote automobile consumption. In June 2023, in order to support the development of the new energy vehicle industry and promote automobile consumption, the Ministry of Finance, the State Taxation Administration and the Ministry of Industry and Information Technology jointly issued the Announcement on the Extension and Optimization of the Vehicle Purchase Tax Exemption Policy for New Energy Vehicles (《關於延續和優化新能源汽車車輛購置稅減免政策的公告》), which proposed to extend and optimize the vehicle purchase tax exemption policy for new energy vehicles. In July 2023, in order to further stabilize and increase automobile consumption, optimize the management system and market environment for automobile purchase and usage, as well as to step up efforts to promote the sustainable and healthy development of new energy vehicles, the National Development and Reform Commission, together with relevant departments and units, formulated the Several Measures for Promoting Automobile Consumption (《關於促進汽車消費的若干措施》), which will increase automobile consumption and promote the high-quality development of related upstream and downstream industries in the industrial chain of the automobile industry.

With the rising demand for automobile and expansion of the automobile sales market, there will be continuous growth in the demand for automobile engine cylinder blocks, which will further promote the development of the industry. Especially due to the PRC's rapid economic development in recent years, automobile consumer market has become one of the most promising market in the PRC, which will strongly promote the development of the automobile engine cylinder block industry.

With the development and constant advancement of science and technology, the technological level of automobile engine cylinder block is also improving continuously. Automobile engine cylinder block is one of the key components of the entire automobile engine such that its quality and performance will directly affect the safety and performance of vehicles. Therefore, various enterprises have been enhancing their technological R&D capabilities to meet the diversifying market demand, which will further promote the development of the automobile engine cylinder block industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the increase in demand for automobile engine cylinder blocks, the number of cylinder block manufacturers has increased gradually with intensified market competition. With the aim of competing for market share among enterprises and enhancing their business reputation, enterprises continued to improve their product quality and after-sales service quality so as to gain the support of consumers and increase market share, which will bring better development for the automobile engine cylinder block industry in the process of fierce market competition.

In general, the huge market demand for automobile engine cylinder blocks, the continuous improvement of technological level, and the market competition among enterprises were instrumental in driving the rapid development of the industry. Therefore, the market outlook of the automobile engine cylinder block industry was optimistic and promising in 2023 and beyond.

BUSINESS REVIEW

The Group is principally engaged in the design, development, manufacture and sales of cylinder blocks, as well as cylinder heads and certain ancillary cylinder block components, to automobile manufacturers and engine manufacturers in the PRC. The Group works closely with its customers to provide a set of high-quality and customized products. The Group conducts manufacturing operations for the major products through a closely integrated cycle.

For the six months ended 30 June 2023, revenue and profit of the Group amounted to approximately RMB341.9 million and approximately RMB12.0 million, representing an increase of approximately 20.5% and decrease of approximately 3.3% as compared to the corresponding period in 2022, respectively. The increase in revenue of the Group was mainly attributable to the increase in sales orders from customers. The decrease in profit of the Group was mainly attributable to (i) decrease in gross profit margin due to the increase in sales portion of cylinder heads product to a customer with a lower profit margin than other customers and (ii) decrease in government grant received.

For the six months ended 30 June 2023, the Group was principally engaged in the manufacturing of cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. The Group also manufactures cylinder heads as well as certain other structural components of cylinder blocks. The following table sets forth the revenue and sales volume by segment and major products types for the six months ended 30 June 2023 and 2022 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June					
	2023			2022		
	Revenue (Unaudited) RMB'000	As a percentage of total revenue %	Sales volume Unit	Revenue (Unaudited) RMB'000	As a percentage of total revenue %	Sales volume Unit
Cylinder blocks						
passenger vehicles	82,834	24.2	121,839	70,446	24.8	84,873
commercial vehicles	124,031	36.3	129,970	132,148	46.6	137,675
industrial vehicles	64,607	18.9	50,194	36,190	12.8	29,840
Subtotal	271,472	79.4	302,003	238,784	84.2	252,388
Cylinder heads	68,153	19.9	107,374	43,491	15.3	84,353
Ancillary cylinder block components	2,304	0.7	395,299	1,462	0.5	73,674
Total	341,929	100.0		283,737	100.0	

Cylinder blocks for passenger vehicles

The cylinder blocks for passenger vehicles are normally used in light-weight engines of 1.0-1.6 liters. These cylinder blocks for passenger vehicles are produced either from grey cast iron alloy which provides high strength and wear resistance, or from aluminum alloy which is lighter in weight and can be used in more fuel-efficient engines. The portion of revenue from sales of cylinder blocks for passenger vehicles decreased from approximately 24.8% of total revenue for the six months ended 30 June 2022 to approximately 24.2% of total revenue for the six months ended 30 June 2023. Sales volume of cylinder blocks for passenger vehicles increased by approximately 43.6% from approximately 85,000 units for the six months ended 30 June 2022 to approximately 122,000 units for the six months ended 30 June 2023. Such increase was primarily due to increase in sales orders from customers.

In recent years, new energy vehicles become more popular, most consumers choose to purchase new energy vehicles or plug-in hybrid electric (“PHE”) vehicles for replacement of their old vehicles as PHE vehicles are more economical than gasoline-powered vehicles caused by an iterative computing upgrade based on electrification technology development, resulting in reduction in fuel consumption. In reference to the report published by the China Association of Automobile Manufacturers on 19 July 2023, the sales volume of new energy vehicles has increased by 44.1% as compared with the corresponding period in last year and reaching 3.7 million units for the six months ended 30 June 2023. The Group expects the sales of cylinder blocks for passenger vehicles will continue to increase, taking into account the increase in customer’s demand for PHE vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

Cylinder Blocks for Commercial Vehicles

The cylinder blocks for commercial vehicles are normally used in engines of 1.5 liters or above. The cylinder blocks for commercial vehicles are made from grey cast iron alloy. The portion of revenue from sales of cylinder blocks for commercial vehicles decreased from approximately 46.6% of the total revenue for the six months ended 30 June 2022 to approximately 36.3% of total revenue for the six months ended 30 June 2023. Meanwhile, sales volume of cylinder blocks for commercial vehicles decreased by approximately 5.6% from approximately 138,000 units for the six months ended 30 June 2022 to approximately 130,000 units for the six months ended 30 June 2023. Such decrease in sales volume of the cylinder blocks for commercial vehicles was primarily attributable to the decline in demand for commercial vehicles, which led to a reduction in customer purchases of the product. Despite the decline in sales volume of cylinder blocks for commercial vehicles, the Group believes that the products of the Group are competitive in the overall market due to high quality of its products and good business reputation of the Company.

The cylinder blocks for commercial vehicles are normally used in engines of 1.5 to 2.1 liters. Pursuant to Notice on Further Strengthening the Production and Registration Management of Light Trucks and Mini Passenger Vehicles (《關於進一步加強輕型貨車、小微型載客汽車生產和登記管理工作的通知》) issued by the Ministry of Industry and Information Technology of the PRC and Ministry of Public Security of the PRC, light and small commercial vehicles must use engines of 2.5 liters or less. The Group expects the demand of the cylinder blocks for commercial vehicles from the customers will rise in the incoming future. In addition, in order to increase the Group's market share of cylinder blocks for commercial vehicles, the Group put more resources into overseas and domestic markets for pursuit of potential customers.

Cylinder Blocks for Industrial Vehicles

The cylinder blocks for industrial vehicles are designed for use in a variety of industries, such as farming, urban construction and landscape engineering. The cylinder blocks for industrial vehicles are made from grey cast iron alloy and are normally used in engines of 2.1 liters or above. The portion of revenue from sales of cylinder blocks for industrial vehicles increased from approximately 12.8% of total revenue for the six months ended 30 June 2022 to approximately 18.9% of total revenue for the six months ended 30 June 2023. Meanwhile, sales volume of cylinder blocks for industrial vehicles increased by approximately 68.2% from approximately 30,000 units for the six months ended 30 June 2022 to approximately 50,000 units for the six months ended 30 June 2023. Such increase was primarily attributable to increase in sales orders from customers.

For the six months ended 30 June 2023, sales orders from customers' overseas production bases have increased as compared with the corresponding period in last year. It proves that the Group's product quality has achieved global standards. In the future, the Group will re-allocate more resources to explore overseas markets and identify further co-operation opportunities with overseas customers. The Group expects the sales of cylinder blocks for industrial vehicles will increase due to growth in non-road sectors overseas which will in turn lead to an increase in the demand for industrial vehicles used in these sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

Cylinder Heads

The cylinder heads are primarily used in commercial vehicles and often sold together with cylinder blocks to automobile manufacturers and engine manufacturers in the PRC. The portion of revenue from sales of cylinder heads increased from approximately 15.3% of total revenue for the six months ended 30 June 2022 to approximately 19.9% of total revenue for the six months ended 30 June 2023. Meanwhile, sales volume of cylinder heads increased by approximately 27.3% from approximately 84,000 units for the six months ended 30 June 2022 to approximately 107,000 units for the six months ended 30 June 2023. Such an increase was primarily attributable to an increase in sales orders from customers.

Production Facilities

All production facilities of the Group are located in Shenzhou City, Hebei Province, the PRC. As at 30 June 2023, the Group owned and operated a total of 5 precision casting lines and 31 mechanical processing lines (including 24 for cylinder blocks, 5 for cylinder heads and 2 for other ancillary cylinder block components).

As at 30 June 2023, the Group is building 4 new mechanical processing lines and a precision casting line either through renovation of the existing production line or investing in a new production line.

FUTURE PROSPECTS

Recently, influenced by carbon neutralization and environmental protection trends, the development of automobiles is undergoing tremendous changes, from traditional internal combustion engine driving system to diversified driving systems such as electric, hybrid power, hydrogen power, etc. The automobile market is also experiencing a shift towards being influenced by stock market dynamics from incremental market dynamics, which has brought greater operational pressure on downstream parts and components enterprises. In light of the changes in the market environment, the Group has made market adjustments and new layouts, forming three major market segments: the traditional segment of internal combustion engines, the new energy hybrid segment, and the overseas business segment.

Regarding the long-term goals, which serve as the foundation for the future development of the market in terms of long-term growth, the Group will concentrate on domestic new energy vehicles and expanding its overseas business. For domestic new energy vehicles, the Group has started to expand its business from manufacturing engine parts to vehicle parts by leveraging the resources of its existing customers to cover final lightweight vehicle parts, including chassis parts, integrated die-casting body. For the overseas business, the Group has set up an overseas project development team in the second half of this year, and has completed a detailed development plan which make existing customers a leverage for new customer development. Ultimately, the Group will realize the goal of sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of internal development of the Company, in order to instill the corporate culture into the mindset of each employee, the Group has launched corporate culture and human resources system building activities since June 2023. Through training, the corporate culture will be deeply ingrained into the work and life of each employee, so that they can further excel in their work. The building of the human resources system can enhance employees' job satisfaction and our corporate competitiveness, and ultimately promote the sustainable development of the enterprise. Only through this process, the enterprise will be able to develop and be prepared for more achievements.

Since June 2023, the Group has launched a business process reengineering project to eliminate the tedious and repetitive work in the enterprise's operation. This allowed various processes to be smoother and more efficient, thereby enhancing the enterprise's efficiency and production efficiency, and ultimately improving customer satisfaction, maintaining customer loyalty, and promoting the long-term development of the enterprise.

In response to the national Industry 4.0 and dual-carbon policy, the Group has initiated a project to plan for and implement its informatization and digitalization, in a bid to improve the construction of the Group's digital factory. This will improve our operational efficiency, shorten the delivery cycle, improve product quality, reduce carbon emissions, and ultimately enhance the competitiveness of the enterprise itself.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 20.5% from approximately RMB283.7 million for the six months ended 30 June 2022 to approximately RMB341.9 million for the six months ended 30 June 2023. The increase was primarily attributable to an increase in sales orders from customers.

Sales of Cylinder Blocks

Segment revenue from sales of cylinder blocks increased by approximately 13.7% from approximately RMB238.8 million for the six months ended 30 June 2022 to approximately RMB271.5 million for the six months ended 30 June 2023. Meanwhile, the sales volume increased by approximately 19.7% from approximately 252,000 units for the six months ended 30 June 2022 to approximately 302,000 units for the six months ended 30 June 2023. Increase in revenue from sales of cylinder blocks and sales volume were primarily attributable to an increase in sales orders from customers.

Sales of Cylinder Heads

Segment revenue from sales of cylinder heads increased by approximately 56.7% from approximately RMB43.5 million for the six months ended 30 June 2022 to approximately RMB68.2 million for the six months ended 30 June 2023. Meanwhile, the sales volume of cylinder heads increased by approximately 27.3% from approximately 84,000 units for the six months ended 30 June 2022 to approximately 107,000 units for the six months ended 30 June 2023. The increase in revenue from sales of cylinder heads and sales volume were primarily due to an increase in sales orders from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of Ancillary Cylinder Block Components

Segment revenue from sales of ancillary cylinder block components increased by approximately 57.6% from approximately RMB1.5 million for the six months ended 30 June 2022 to approximately RMB2.3 million for the six months ended 30 June 2023. Meanwhile, the sales volume of ancillary cylinder block components increased by approximately 436.6% from approximately 74,000 units for the six months ended 30 June 2022 to approximately 395,000 units for the six months ended 30 June 2023. The increase was primarily attributable to an increase in sales to new customers during the period.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 8.9% from approximately RMB46.2 million for the six months ended 30 June 2022 to approximately RMB50.4 million for the six months ended 30 June 2023. The increase is primarily due to an increase in revenue. The gross profit margin decreased from 16.3% for the six months ended 30 June 2022 to 14.7% for the six months ended 30 June 2023, primarily due to a decrease in gross profit margin in sale of cylinder heads from 21.3% for the six months ended 2022 to 4.8% for the six months ended 2023. The decrease in gross profit margin in sales of cylinder heads is due to an increase in sales portion for cylinder heads products to a customer which has a lower profit margin than other customers.

Other Income

Other income decreased by approximately 55.5% from approximately RMB14.3 million for the six months ended 30 June 2022 to approximately RMB6.4 million for the six months ended 30 June 2023. The decrease was primarily due to a decrease in government grants recognised. The Group recognised government grants of approximately RMB14.2 million for the six months ended 30 June 2022, as compared with approximately RMB6.3 million for the six months ended 30 June 2023.

Selling Expenses

Selling expenses increased by approximately 22.1% from approximately RMB3.8 million for the six months ended 30 June 2022 to approximately RMB4.7 million for the six months ended 30 June 2023, primarily attributable to an increase in staff cost for salesman and after-sale service expenses.

Administrative Expenses

Administrative expenses decreased by approximately 2.4% from approximately RMB36.4 million for the six months ended 30 June 2022 to approximately RMB35.5 million for the six months ended 30 June 2023. The decrease in administrative expenses was attributable to a decrease in professional fee expenses and others.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gain and Expenses

Other gain and expenses was changed from an expense of approximately RMB3.4 million for the six months ended 30 June 2022 to a gain of approximately RMB1.6 million for the six months ended 30 June 2023. The change is caused by (i) recognition of reversal of impairment losses on trade and other receivables of approximately RMB3.0 million for the six months ended 30 June 2023, as compared to recognition of an impairment losses on trade and other receivables of approximately RMB3.4 million for the six months ended 30 June 2022, and (ii) recognition of the net loss on sales of scrap materials approximately RMB1.4 million for the six months ended 30 June 2023, as comparing no such loss for the six months ended 30 June 2022.

Finance Costs

Finance costs increased by approximately 43.1% from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB5.2 million for the six months ended 30 June 2023, primarily due to an increase in bank borrowings for the six months ended 30 June 2023.

Income Tax

Income tax increased by approximately 3.6% from approximately RMB0.83 million for the six months ended 30 June 2022 to approximately RMB0.86 million for the six months ended 30 June 2023 primarily due to an increase in provision of deferred tax.

Profit for the Period

As a result of the foregoing, the profit for the period decreased by approximately 3.3% from approximately RMB12.4 million for the six months ended 30 June 2022 to approximately RMB12.0 million for the six months ended 30 June 2023. The net profit margin decreased from 4.4% for the six months ended 30 June 2022 to 3.5% for six months ended 30 June 2023, which was mainly attributable to a decrease in gross profit margin and a decrease in government grant received as explained above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operation of the Group is primarily financed by cash generated from operating activities and bank borrowings. As at 30 June 2023 and 31 December 2022, cash and cash equivalents of the Group amounted to approximately RMB76.1 million and approximately RMB11.6 million, respectively. The increase is due to an increase in interest-bearing borrowings.

The Group monitors its cash flows and cash and cash equivalents balance on a regular basis and seeks to maintain an optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business activities and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities, as well as bank and other borrowings. Other than normal bank borrowings that the Group obtains from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Bills Receivables

The net of trade and bills receivables increased by approximately 17.7% from approximately RMB257.1 million as at 31 December 2022 to approximately RMB302.6 million as at 30 June 2023. The increase is primarily due to an increase in revenue and a reversal of impairment loss approximately RMB3.0 million for the six months ended 30 June 2023.

Trade Payables

The trade payables increased by approximately 8.3% from approximately RMB250.8 million as at 31 December 2022 to approximately RMB271.7 million as at 30 June 2023 primarily due to an increase in purchase of raw materials for production.

Interest-bearing Borrowings

The interest-bearing borrowings increased by approximately 25.5% from approximately RMB235.4 million as at 31 December 2022 to approximately RMB295.6 million as at 30 June 2023 which were pledged by property, plant and equipment, right-of-use assets and bills receivables of the Group. The aggregate carrying amount of such pledged assets was approximately RMB143.2 million (as at 31 December 2022: RMB109.8 million). All interest-bearing borrowings as at 30 June 2023 and 31 December 2022 were denominated in Renminbi at fixed or floating interest rate. The following table sets forth the amount of indebtedness of the Group as at the date indicated:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Repayment schedule		
Within 1 year or on demand	197,879	233,269
Over 1 year but within 4 years	97,688	2,177
	295,567	235,446

Gearing Ratio

The gearing ratio was increased from approximately 23.9% as at 31 December 2022 to approximately 29.6% as at 30 June 2023, primarily attributing to an increase in interest-bearing borrowings of approximately RMB60.1 million for the six months ended 30 June 2023.

Gearing ratio equals total debts divided by total equity as at the end of the reporting period. Total debt includes all interest-bearing borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

For the six months ended 30 June 2023, the capital expenditure of the Group was approximately RMB47.5 million (six months ended 30 June 2022: RMB55.2 million). The capital expenditure incurred for the six months ended 30 June 2023 was primarily related to the construction of new mechanical processing lines for the new products and purchases of additional equipment and machineries used for improvement of the existing production lines.

Capital Commitments

As at 30 June 2023, the capital commitments of the Group in respect of property, plant and equipment contracted for amounted to approximately RMB24.0 million (as at 31 December 2022: RMB20.5 million).

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities or guarantees (as at 31 December 2022: Nil).

Fluctuation of Renminbi Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all interest-bearing borrowings are denominated and accounted for in Renminbi, except for certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars. Therefore, the Group does not have a significant exposure to foreign exchange fluctuation. The Board does not expect the fluctuation of Renminbi exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. The Group currently has no hedging policy with respect to the foreign exchange risks, therefore, the Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group did not have detailed plans for material investment or capital assets as at 30 June 2023 (as at 31 December 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 863 employees (as at 31 December 2022: 749 employees). For the six months ended 30 June 2023, the Group has incurred total staff costs of approximately RMB40.4 million (six months ended 30 June 2022: RMB39.8 million), representing an increase of approximately 1.5% as compared to the six months ended 30 June 2022.

The Group believes its success depends on its employees' provision of consistent, high-quality and reliable services. In order to attract, retain and develop the knowledge and skill level of its employees, the Group places a strong emphasis on training for employees. In addition, the Group offers a competitive remuneration package to retain elite employees, including basic salary and performance based monthly and annual bonuses, and reviews the remuneration package annually according to industry benchmark, financial results of the Group as well as the individual performance of employees.

Waiver of Directors' Remuneration

The executive Directors of the Company agreed to waive part of director's salary for the year ending 31 December 2023 and agreed to receive the director's fee of RMB40,000 per annum.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this report, there are no major subsequent events after 30 June 2023 which would materially affect the Group's operating and financial performance since the end of the reporting period and up to the date of this report.

DIRECTORS' REPORT

The board (the “**Board**”) of directors (the “**Directors**”) of Ruifeng Power Group Company Limited (the “**Company**”) is pleased to submit the interim report together with unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 which have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

KEY RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cylinder blocks and cylinder heads. The business operation of the Group is exposed to a variety of risks including operational, financial and market risks. Details of the risks as below:

Operational risks

The top five customers of the Group, which primarily include large automobile manufacturers and engine producers located in PRC, accounted for approximately 64.2%, of the total revenue for the six months ended 30 June 2023. For the six months ended 30 June 2023, the largest customer of the Group, which is an automobile manufacturer, accounted for approximately 23.6% of the total revenue. The loss of a small number of our large customers, or the decrease in sales with one or more of these major customers, could have a significant adverse impact on our financial results.

The heightened geopolitical tensions arising from recent events continues to bring uncertainties to the Group's operating environment. As far as the Group's businesses are concerned, heightened geopolitical tensions may impact the supply of the raw materials and the demand of the Group's products, which may impact the Group's operations and financial position.

Financial risks

The major financial risks faced by the Group are interest rate risk, credit risk and liquidity risk. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

DIRECTORS' REPORT

(b) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bill receivables is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to be low. The Group does not provide any guarantees which would expose the Group to credit risk.

(c) *Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Market risks

The Group operates in a market characterized by evolving industry standards, frequent new product launches and updates, rapidly-developing technologies, and changing customer demands and expectations. The continuing popularity of our products depends on the ability of the Group to adapt to these rapidly-changing technologies and industry standards as well as our ability to continually innovate in response to evolving customer demands and expectations and intense market competition. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business and operating results.

The Group has put in place a set of internal control and risk management protocols to address various operational, financial and market risks. The risk management protocols and policies set forth procedures to identify, categorize, analyze and mitigate various risks and the relevant reporting hierarchy of risks identified in our operations. The Board has the general power to manage the operations and the overall risks of the Company and is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. After due consideration, the Directors are of the view that our current risk management measures are adequate and effective.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for transfer from 12 October 2023 to 17 October 2023 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the extraordinary general meeting of the Company (the "EGM") on 17 October 2023, during which no transfer of issued shares of the Company will be registered. Shareholders whose names appear on the registers of members of the Company on 17 October 2023 will be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 11 October 2023.

DIRECTORS' REPORT

The Board of directors has resolved and on 25 August 2023 to recommend the payment of an interim dividend of HK\$1.5 cents per share for the six months ended 30 June 2023 (for the six months ended 30 June 2022: HK\$1.7 cents) to shareholders of the Company whose names appear on the register of members of the Company on 27 October 2023. The register of members will be closed from 25 October 2023 to 27 October 2023, (both days inclusive), and the proposed interim dividend is expected to be paid on or around 17 November 2023. The payment of dividends shall be subject to the approval of the shareholders of the Company at the EGM expected to be held on 17 October 2023. In order to qualify for the proposed dividend, shareholders of the Company should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 24 October 2023.

During the period of closure of the Company's register of member mentioned above, no transfers of shares will be registered.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2023 and up to the date of this report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board comprises of four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code ("**CG Code**") set out in Part 2 of Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2023, the Company has fully complied with the code provisions, except for the following.

Pursuant to Code Provision C.2.1 of the CG code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. However, Mr. Meng Lianzhou currently performs the roles of chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board regularly reviews the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Save as disclosed above, the Company has strictly complied with the CG Code during the six months ended 30 June 2023. The Directors will review the Group's corporate governance policies and compliance with the CG Code from time to time.

DIRECTORS' REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the six months ended 30 June 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register of directors' and chief executive's interests and short positions required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of Directors	Name of Group member	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Meng Lianzhou ("Mr. LZ Meng") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	5,044 shares of US\$1.00 each (L)	50.46%
Liu Zhanwen ("Mr. ZW Liu") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,432 shares of US\$1.00 each (L)	14.32%
Zhang Yuexuan ("Mr. YX Zhang") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	2,235 shares of US\$1.00 each (L)	22.36%

DIRECTORS' REPORT

Name of Directors	Name of Group member	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Liu Enwang ("Mr. EW Liu") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,286 shares of US\$1.00 each (L)	12.86%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) These 411,042,000 Shares are held by Dragon Rise Ventures Limited ("**Dragon Rise**"), the issued shares of which are owned as to approximately 50.46% by Mr. LZ Meng, approximately 14.32% by Mr. ZW Liu, approximately 22.36% by Mr. YX Zhang and approximately 12.86% by Mr. EW Liu, respectively. On 28 August 2017, Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu entered into a concert party agreement to, among others, confirm their acting-in-concert agreement. Under the SFO, each of Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu is taken to be interested in the Shares beneficially owned by Dragon Rise.

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of SFO and based on the information available were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Dragon Rise Ventures Limited (“ Dragon Rise ”)	Beneficial owner	411,042,000 Share (L)	51.38%
Ms. Zhao Jingmei (趙敬梅) (“ Ms. Zhao ”) (Note 2)	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Meng Dongdong (孟冬冬) (Note 3)	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Xiao Zhiru (肖智茹) (Note 4)	Interest of spouse	411,042,000 Share (L)	51.38%
Ms. Wang Sujuan (王素娟) (Note 5)	Interest of spouse	411,042,000 Share (L)	51.38%
Radiant Path Holdings Limited (“ Radiant Path ”)	Beneficial owner	67,868,000 Share (L)	8.48%
Mr. Wang Shiyong (王士英) (“ Mr. Wang ”) (Note 6)	Interest of controlled corporation	67,868,000 Share (L)	8.48%
Ms. Yin Shujuan (尹淑娟) (“ Ms. Yin ”) (Note 7)	Interest of spouse	67,868,000 Share (L)	8.48%
Great Ally Enterprises Limited (“ Great Ally ”)	Beneficial owner	46,864,000 Share (L)	5.86%
Mr. Zhang Zhanbiao (張占標) (“ Mr. ZB Zhang ”) (Note 8)	Interest of controlled corporation	46,864,000 Share (L)	5.86%
Ms. Zhu Yunchuan (朱雲川) (Note 9)	Interest of spouse	46,864,000 Share (L)	5.86%
Rosy Raise Limited (“ Rosy Raise ”)	Beneficial owner	46,864,000 Share (L)	5.86%
Ms. Liu Meiling (劉美玲) (“ Ms. ML Liu ”) (Note 10)	Interest of controlled corporation	46,864,000 Share (L)	5.86%
Mr. Li Xunye (李訓業) (Note 11)	Interest of spouse	46,864,000 Share (L)	5.86%

DIRECTORS' REPORT

Notes:

- (1) The letter "L" denotes a long position (as defined under Part XV of the SFO) in the Shares.
- (2) Ms. Zhao is the spouse of Mr. LZ Meng. Under the SFO, she is taken to be interested in the Shares in which Mr. LZ Meng is interested.
- (3) Ms. Meng Dongdong (孟冬冬) is the spouse of Mr. ZW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. ZW Liu is interested.
- (4) Ms. Xiao Zhiru (肖智茹) is the spouse of Mr. YX Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. YX Zhang is interested.
- (5) Ms. Wang Sujuan (王素娟) is the spouse of Mr. EW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. EW Liu is interested.
- (6) These 67,868,000 Shares are beneficially owned by Radiant Path, which is wholly owned by Mr. Wang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Radiant Path.
- (7) Ms. Yin is the spouse of Mr. Wang. Under the SFO, she is taken to be interested in the Shares in which Mr. Wang is interested.
- (8) These 46,864,000 Shares are beneficially owned by Great Ally, which is wholly owned by Mr. ZB Zhang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Great Ally.
- (9) Ms. Zhu Yunchuan (朱雲川) is the spouse of Mr. ZB Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. ZB Zhang is interested.
- (10) These 46,864,000 Shares are beneficially owned by Rosy Raise, which is wholly owned by Ms. ML Liu. Under the SFO, she is taken to be interested in the Shares beneficially owned by Rosy Raise.
- (11) Mr. Li Xunye (李訓業) is the spouse of Ms. ML Liu. Under the SFO, he is taken to be interested in the Shares in which Ms. ML Liu is interested.

Save as disclosed above, as at 30 June 2023, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, no person had interest or short position in the Shares or underlying Shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EQUITY-LINKED AGREEMENT

During the six months ended 30 June 2023, the Company did not enter into any other equity linked agreement, nor did any other equity-linked agreement exist during the year six months ended 30 June 2023, other than the Share Option Scheme as set out in the paragraph headed "Share Option Scheme" below.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 11 December 2017. The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group’s operations. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date with a remaining life until 10 December 2027.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the “**General Scheme Limit**”). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 80,000,000 Shares, representing 10% of the issued share capital of the Company. The Company may renew the General Scheme Limit with Shareholders’ approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders’ approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the General Scheme Limit as at the beginning and end of the Period under review are as below:

	At 1 January 2023	At 30 June 2023
Number of options granted	–	–
Number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the existing General Scheme Limit	80,000,000	80,000,000

DIRECTORS' REPORT

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

No share options have been granted, exercised or cancelled by the Company under the Share Option Scheme since its adoption and up to the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee which comprises of three independent non-executive Directors, namely Mr. Ren Keqiang, Mr. Yu Chun Kau and Mr. Wan Ming.

The Audit Committee, together with the management, have reviewed the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023.

On behalf of the Board
Ruifeng Power Group Company Limited
Meng Lianzhou
Chairman

Shenzhen, the PRC, 25 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	4	341,929	283,737
Cost of sales		(291,570)	(237,513)
Gross profit		50,359	46,224
Other income	4(b)	6,378	14,327
Selling expenses	5	(4,654)	(3,813)
Administrative expenses		(35,549)	(36,432)
Other gains and expenses	6	1,553	(3,417)
Profit from operations		18,087	16,889
Finance costs	7(a)	(5,248)	(3,667)
Profit before taxation		12,839	13,222
Income tax	8	(859)	(829)
Profit for the period attributable to equity shareholders of the Company		11,980	12,393
Earnings per share			
Basic and diluted (<i>RMB cent</i>)	9	1.50	1.55
Profit for the period		11,980	12,393
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements into presentation currency		1,186	1,088
Total comprehensive income for the period attributable to equity shareholders of the Company		13,166	13,481

The notes on pages 32 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

	Note	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	813,896	829,741
Right-of-use assets	11	104,768	106,385
Deferred tax assets	17	14,096	14,955
Other non-current assets		39,974	38,730
		972,734	989,811
Current assets			
Inventories	12	256,713	273,057
Trade and other receivables	13	356,056	317,346
Prepaid income tax		12,379	12,242
Cash and cash equivalents	14	76,113	11,550
		701,261	614,195
Current liabilities			
Trade and other payables	15	340,113	339,989
Interest-bearing borrowings	16	197,879	233,269
Lease liabilities		–	276
Provision for warranties	18	5,127	5,170
		543,119	578,704
Net current assets		158,142	35,491
Total assets less current liabilities		1,130,876	1,025,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

	Note	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Non-current liabilities			
Interest-bearing borrowings	16	97,688	2,177
Deferred income	19	30,369	33,401
Lease liabilities		–	71
Deferred tax liabilities	17	5,121	5,121
		133,178	40,770
Net assets		997,698	984,532
Capital and reserves	20		
Share capital		66,425	66,425
Reserves		931,273	918,107
Total equity		997,698	984,532

Approved and authorised for issue by the board of directors on 25 August 2023.

Meng Lianzhou
Chairman

Liu Enwang
Director

The notes on pages 32 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023

	Attributable to equity shareholders of the Company					
	Share capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
Balance at 1 January 2022	66,425	116,410	34,937	7,456	748,968	974,196
Changes in equity for the six months ended 30 June 2022:						
Profit for the period	-	-	-	-	12,393	12,393
Other comprehensive income for the period	-	-	-	1,088	-	1,088
Total comprehensive income	-	-	-	1,088	12,393	13,481
Balance at 30 June 2022	66,425	116,410	34,937	8,544	761,361	987,677
Balance at 1 January 2023	66,425	104,237	38,616	9,553	765,701	984,532
Changes in equity for the six months ended 30 June 2023:						
Profit for the period	-	-	-	-	11,980	11,980
Other comprehensive income for the period	-	-	-	1,186	-	1,186
Total comprehensive income	-	-	-	1,186	11,980	13,166
Balance at 30 June 2023	66,425	104,237	38,616	10,739	777,681	997,698

The notes on pages 32 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cash flows from operating activities			
Cash generated from operations		62,042	30,250
Income tax paid		(34)	(1,882)
Net cash generated from operating activities		62,008	28,368
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment and lease prepayments		(47,458)	(55,237)
Other cash flows arising from investing activities		535	740
Net cash used in investing activities		(46,923)	(54,497)
Cash flows from financing activities			
Capital element of lease rentals paid		-	(151)
Interest element of lease rentals paid		-	(5)
Proceeds from interest-bearing borrowings		163,120	130,000
Repayment of interest-bearing borrowings		(103,000)	(95,000)
Dividends paid		(5,332)	(1,906)
Other cash flows arising from financing activities		(4,906)	(3,688)
Net cash generated from financing activities		49,882	29,250
Net increase in cash and cash equivalents		64,967	3,121
Cash and cash equivalents at the beginning of the period	14	11,550	20,009
Effect of foreign exchange rate changes		(404)	(75)
Cash and cash equivalents at the end of the period	14	76,113	23,055

The notes on pages 32 to 48 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 2 May 2017 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 January 2018. The Group is principally engaged in the design, development, manufacture and sales of cylinder blocks and cylinder heads and ancillary cylinder block components.

2 BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with the International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "**IASB**"). It was authorised for issue on 25 August 2023.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to develop an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2022 that is included in the unaudited interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in the audit report dated 31 March 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group:

- IFRS 17, *Insurance contracts*
- Amendments to IFRS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IFRS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IFRS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on the preparation and presentation of the Group's results and financial position for the current or prior periods in this report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents mainly the sale of cylinder blocks, cylinder heads and ancillary cylinder block components. Further details regards the Group's revenue are disclosed in Note 4(b).

Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major products is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Sales of cylinder blocks	271,472	238,784
Sales of cylinder heads	68,153	43,491
Sales of ancillary cylinder block components	2,304	1,462
	341,929	283,737

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical market is disclosed in Note 4(b)(i) and 4(b)(ii).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by products. The Group has presented the following three reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment. No operating segment has been aggregated to form the following reportable segments.

- Cylinder blocks: this segment includes primarily the research, development, manufacture and sales of cylinder blocks.
- Cylinder heads: this segment includes primarily the research, development, manufacture and sales of cylinder heads.
- Ancillary cylinder block components: includes primarily the manufacture and sales of ancillary cylinder block components used in cylinder blocks and cylinder heads not covered by the Group's warranty policies.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sale has occurred for the six months ended 30 June 2023 and 2022. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses (such as other income, selling and administrative expenses and other gains and expenses), and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses are presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Six months ended 30 June 2023			
	Cylinder blocks (Unaudited) RMB'000	Cylinder heads (Unaudited) RMB'000	Ancillary cylinder block components (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers recognised at a point in time	271,472	68,153	2,304	341,929
Reportable segment gross profit	45,694	3,254	1,411	50,359

	Six months ended 30 June 2022			
	Cylinder blocks (Unaudited) RMB'000	Cylinder heads (Unaudited) RMB'000	Ancillary cylinder block components (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers recognised at a point in time	238,784	43,491	1,462	283,737
Reportable segment gross profit	37,652	9,247	(675)	46,224

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)**(b) Segment reporting** (continued)

(ii) Geographic information

The Group's revenue is substantially generated from the sales to customers in The People's Republic of China (the "PRC"). The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 OTHER INCOME

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Government grants (including amortisation of deferred income)	6,345	14,181
Interest income	33	146
	6,378	14,327

6 OTHER GAINS AND EXPENSES

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
(Reversal of impairment)/impairment losses on trade and other receivables	(3,037)	3,392
Net loss on sales of scrap materials	1,428	–
Net gain on disposal of property, plant and equipment	–	(19)
Others	56	44
	(1,553)	3,417

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest on bank and other borrowings	5,037	3,623
Finance charges and others	211	39
Interest on lease liabilities	–	5
	5,248	3,667

No borrowing costs have been capitalised for the six months ended 30 June 2023 and 2022.

(b) Staff costs (including directors' emoluments) (Note)

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, wages and other benefits	37,830	37,784
Contributions to defined contribution retirement plan	2,564	2,027
	40,394	39,811

The employees of the PRC subsidiaries of the Group (other than Hong Kong) participate in a defined contribution retirement benefit plan managed by the local government authority. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plan at their normal retirement age.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 PROFIT BEFORE TAXATION (continued)**(b) Staff costs (including directors' emoluments)** (Note) (continued)

The Group also operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar (“**HK\$**”) 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation charge		
– owned property, plant and equipment	49,312	40,515
– right-of-use assets	1,178	1,925
Operating lease charges of short-term leases	81	119
Provision for warranties	2,446	1,684
Research and development costs	11,069	10,633
Cost of inventories (Note)	291,570	237,513

Note:

Cost of inventories for the six months ended 30 June 2023 includes approximately RMB70,792,000 (six months ended 30 June 2022: RMB60,825,000) relating to staff costs, and depreciation, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

8 INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax		
PRC Corporate Income Tax	–	566
Deferred tax		
Origination and reversal of temporary differences	859	263
	859	829

Notes:

- (i) The Company was incorporated in the Cayman Islands and a subsidiary of the Group was incorporated in the British Virgin Islands (the “BVI”) which are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The Company and a subsidiary of the Group was incorporated in Hong Kong which are subject to Hong Kong Profits Tax according to the two-tiered profits tax rates regime for the year of assessment 2023/2024. The profits tax rate for the first HK\$2,000,000 of profits is taxed at 8.25%, and profits above that amount is subject to a tax rate of 16.5%. The provision for the Hong Kong Profits Tax for the Company and the subsidiary were calculated at the same basis for the period ended 30 June 2022.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25%. The provision for the PRC Corporate Income Tax for the Group’s subsidiaries were calculated at the same basis for the period ended 30 June 2022.

One of the Group’s subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2021 to 2023. Pursuant to the relevant tax regulations, the subsidiary is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, the subsidiary is also entitled to an additional tax deductible allowance calculated at 100% (six months ended 30 June 2022: 100%) of its qualified research and development costs incurred.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to equity shareholders of the Company of approximately RMB11,980,000 (six months ended 30 June 2022: RMB12,393,000) and the weighted average of 800,000,000 ordinary shares (six months ended 30 June 2022: 800,000,000) in issue during the interim period.

(b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2023 and 2022.

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of plant and machinery with a cost of approximately RMB33,969,000 (six months ended 30 June 2022: RMB51,175,000). Items of plant and machinery with a net book value of approximately RMB503,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB695,000).

11 RIGHT-OF-USE ASSETS

The right-of-use assets represent the land use rights paid by the Group for land situated in the PRC. The lease terms of land use right range from 50 to 70 years.

12 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Raw materials	76,204	80,024
Work in progress	85,472	79,636
Finished goods	112,229	130,201
	273,905	289,861
Less: Write-down of inventories	(17,192)	(16,804)
	256,713	273,057

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

12 INVENTORIES (continued)

- (b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Carrying amount of inventories sold	291,182	239,054
Write-down/(Reversal of write-down) of inventories	388	(1,541)
	291,570	237,513

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Trade receivables	231,082	198,801
Bills receivables	112,783	102,604
Less: loss allowance	(41,282)	(44,319)
Net trade and bills receivables	302,583	257,086
Non-trade receivables and prepayments	40,066	43,132
Deductible value added tax	13,407	17,128
	356,056	317,346

All of the trade receivables and other receivables are expected to be recovered or recognized as expenses within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (continued)

At the end of reporting period, the ageing analysis of net trade and bills receivables, included in trade and other receivables, based on the invoice date and net of loss allowance of the Group is as follows:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Within 1 month	114,611	100,339
1 to 3 months	155,540	108,324
3 to 6 months	30,352	46,156
Over 6 months	2,080	2,267
	302,583	257,086

14 CASH AND CASH EQUIVALENTS

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Cash and cash equivalents in condensed consolidated cash flow statement	76,113	11,550

As at 30 June 2023, cash and cash equivalents situated in PRC approximately amounted to RMB75,750,000 (at 31 December 2022: RMB4,983,000). Remittance of funds out of PRC is subject to relevant rules and regulations of foreign exchange control.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Trade payables	271,678	250,803
Payables for construction of property, plant and equipment	46,722	60,203
Payables for staff related costs	5,832	6,386
Contract liabilities	4,833	6,755
Payables for other taxes	238	37
Others	10,810	15,805
	340,113	339,989

At the end of the reporting period, the ageing analysis of trade payables, which are included in trade and other payables, based on the invoice date, is as follows:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Within 1 month	72,601	68,154
1 to 3 months	87,316	80,863
3 to 6 months	41,675	50,672
Over 6 months	70,086	51,114
	271,678	250,803

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 INTEREST-BEARING BORROWINGS

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Current		
Secured bank loans by property, plant and equipment and right-of-use assets	161,970	220,970
Secured bank loans by bill receivables	13,814	9,864
Current portion of non-current secured bank loans by property, plant and equipment and right-of-use assets	22,095	2,435
	197,879	233,269
Non-current		
Secured bank loans by property, plant and equipment and right-of-use assets	119,783	4,612
Less: Current portion of non-current secured bank loans	(22,095)	(2,435)
	97,688	2,177
	295,567	235,446

The current portion and non-current portion of the Group's non-current bank loans were repayable as follows:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Within 1 year or on demand	22,095	2,435
Over 1 year but within 4 years	97,688	2,177
	119,783	4,612

As at 30 June 2023, the aggregate carrying amount of property, plant and equipment, right-of-use assets and bill receivables pledged for the Group's bank loans is approximately RMB143,226,000 (at 31 December 2022: RMB109,808,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Assets				Liabilities		
	Government grants and subsequent amortisation RMB'000	Provision for warranties RMB'000	Write-down of inventories RMB'000	Credit loss allowance RMB'000	Sub-total RMB'000	Retained profits to be distributed RMB'000	Total RMB'000
At 1 January 2022 (Audited)	5,995	756	3,105	5,773	15,629	(5,121)	10,508
(Charged)/credited to the consolidated statement of profit or loss	(985)	20	(584)	875	(674)	-	(674)
At 31 December 2022 (Audited) and 1 January 2023	5,010	776	2,521	6,648	14,955	(5,121)	9,834
(Charged)/credited to the consolidated statement of profit or loss	(455)	(6)	58	(456)	(859)	-	(859)
At 30 June 2023 (Unaudited)	4,555	770	2,579	6,192	14,096	(5,121)	8,975

18 PROVISION FOR WARRANTIES

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
At 1 January	5,170	5,037
Provisions made	2,446	4,248
Provisions utilised	(2,489)	(4,115)
At 30 June/31 December	5,127	5,170
Less: Amount included under “current liabilities”	(5,127)	(5,170)
	-	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 PROVISION FOR WARRANTIES (continued)

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within the warranty period, which primarily ranges from one to three years from the date of customer acceptance. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

19 DEFERRED INCOME

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
At 1 January	33,401	39,967
Credited to the consolidated statement of profit or loss	(3,032)	(6,566)
At 30 June/31 December	30,369	33,401

Deferred income represents government grants received to compensate the Group's cost of construction of property, plant and equipment. The grants are amortised over the useful lives of the related property, plant and equipment.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board resolved on 25 August 2023 that an interim dividend of HK\$1.5 cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$1.7 cents), absorbing a total amount of HK\$12,000,000 (six months ended 30 June 2022: HK\$13,600,000) out of the share premium account of the Company, subject to the approval of the shareholders at the forthcoming extraordinary general meeting, is to be distributed to the shareholders of the Company. The interim dividend has not been recognised as a liability at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

Movements in the Company's issued share capital are as follows:

	At 30 June 2023		At 31 December 2022	
	Number of shares	Nominal value of Ordinary shares (Unaudited) RMB'000	Number of shares	Nominal value of Ordinary shares (Audited) RMB'000
Ordinary shares, issued and fully paid:				
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	800,000,000	66,425	800,000,000	66,425

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the financial statements were as follows:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Commitments in respect of property, plant and equipment:		
– Contracted for	24,001	20,525

22 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management, is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short-term employee benefits	1,421	1,669
Contributions to defined contribution retirement plan	30	20
	1,451	1,689