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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2023	2022	Change
Revenue *(RMB'000)*	**718,487**	600,487	19.7%
Gross Profit *(RMB'000)*	**87,706**	97,466	(10.0%)
Gross profit margin	**12.2%**	16.2%	(4.0ppt)
Profit for the year attributable to equity shareholders of the Company *(RMB'000)*	**11,268**	20,412	(44.8%)
Net profit margin	**1.6%**	3.4%	(1.8ppt)
Basic and diluted earnings per share *(RMB)*	**0.014**	0.026	

The Board of Directors resolved to declare a final dividend of HK$1.5 cents per share for the year ended 31 December 2023 (2022: Nil) which is subject to the approval of the shareholders at the AGM to be held on 29 May 2024.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Ruifeng Power Group Company Limited (the "**Company**") is pleased to announce the audited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year**") and the audited consolidated statement of financial position of the Group as at 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*3(a)*	**718,487**	600,487
Cost of sales		**(630,781)**	(503,021)
Gross profit	*3(b)*	**87,706**	97,466
Other income	*4*	**15,165**	23,202
Selling expenses		**(10,373)**	(10,539)
Administrative expenses		**(75,085)**	(72,889)
Reversal/(recognition) of impairment losses on trade receivables	*5(c)*	**5,348**	(5,833)
Profit from operations		**22,761**	31,407
Finance costs	*5(a)*	**(10,006)**	(8,249)
Profit before taxation	*5*	**12,755**	23,158
Income tax	*6*	**(1,487)**	(2,746)
Profit for the year attributable to equity shareholders of the Company		**11,268**	20,412
Earnings per share			
Basic and diluted (RMB)	*7*	**0.014**	0.026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in RMB)

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**11,268**	20,412
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and a subsidiary into presentation currency	**46**	2,097
Total comprehensive income for the year attributable to equity shareholders of the Company	**11,314**	22,509

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in RMB)

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**838,377**	829,741
Right-of-use assets		**103,494**	106,385
Deferred tax assets		**20,113**	14,955
Other non-current assets		**39,291**	38,730
		1,001,275	989,811
Current assets			
Inventories		**273,116**	273,057
Trade receivables, other receivables and prepayments	*8*	**319,333**	317,346
Prepaid income tax		**4,861**	12,242
Cash at bank and on hand		**40,555**	11,550
		637,865	614,195
Current liabilities			
Trade and other payables	*9*	**377,008**	339,989
Interest-bearing borrowings	*10*	**101,199**	233,269
Lease liabilities		**–**	276
Provision for warranties		**4,652**	5,170
		482,859	578,704
Net current assets		**155,006**	35,491
Total assets less current liabilities		**1,156,281**	1,025,302
Non-current liabilities			
Interest-bearing borrowings	*10*	**142,325**	2,177
Deferred income		**27,499**	33,401
Lease liabilities		**–**	71
Deferred tax liabilities		**1,650**	5,121
		171,474	40,770
NET ASSETS		**984,807**	984,532
CAPITAL AND RESERVES			
Share capital		**66,425**	66,425
Reserves		**918,382**	918,107
TOTAL EQUITY		**984,807**	984,532

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 "**Listing Date**"). The Group is principally engaged in the design, development, manufacture and sale of cylinder blocks, cylinder heads and ancillary cylinder block components and others.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These consolidated financial statements have been prepared on a going concern basis, the directors of the Company are of the opinion that based on a cash flow forecast of the Group for the twelve months ending 31 December 2024 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. The directors of the Company believe that according to the negotiation with the relevant banks, the major subsidiaries of the Group are able to renew its bank facilities upon maturity. As a result, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following new and amended IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

IFRS 17, Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The amendments do not have a material impact on these financial statements.

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. However, because no new legislation to implement the Pillar Two income tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the design, development, manufacture and sale of cylinder blocks, cylinder heads and ancillary cylinder block components and others.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of cylinder blocks	**573,315**	482,462
Sales of cylinder heads	**138,451**	113,820
Sales of ancillary cylinder block components and others	**6,721**	4,205
	718,487	600,487

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical market is disclosed in Notes 3(b)(i) and 3(b)(ii).

(b) Segment reporting

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

- Cylinder blocks: this segment includes primarily the research, development, manufacture and sale of cylinder blocks.

- Cylinder heads: this segment includes primarily the research, development, manufacture and sale of cylinder heads.

- Ancillary cylinder block components and others: this segment includes primarily the manufacture and sale 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 most senior executive 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 sales have occurred for the years ended 31 December 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, impairment loss on trade receivables and selling and administrative 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 is 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 most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	2023			
	Cylinder blocks *RMB'000*	**Cylinder heads** *RMB'000*	**Ancillary cylinder block components and others** *RMB'000*	**Total** *RMB'000*
Revenue from external customers recognised at a point in time	**573,315**	**138,451**	**6,721**	**718,487**
Reportable segment gross profit/(loss)	**79,954**	**8,652**	**(900)**	**87,706**

	2022			
	Cylinder blocks *RMB'000*	Cylinder heads *RMB'000*	Ancillary cylinder block components and others *RMB'000*	Total *RMB'000*
Revenue from external customers recognised at a point in time	482,462	113,820	4,205	600,487
Reportable segment gross profit/(loss)	82,434	15,403	(371)	97,466

(ii) Geographic information

The Group's revenue is substantially generated from 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.

4 OTHER INCOME

	2023 *RMB'000*	2022 *RMB'000*
Government grants (including amortisation of deferred income)	**13,593**	22,762
Interest income	**63**	242
Rentals receivable from operating leases	**1,848**	–
Loss on disposal of property, plant and equipment	**(648)**	(126)
Others	**309**	324
	15,165	23,202

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2023	2022
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**9,765**	8,048
Bank charges and others	**237**	188
Interest on lease liabilities	**4**	13
	10,006	8,249

No borrowing costs have been capitalised for the year ended 31 December 2023 (2022: Nil).

(b) Staff costs#

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**78,079**	71,113
Contributions to defined contribution retirement plan	**5,392**	4,014
	83,471	75,127

The employees of the subsidiaries of the Group established in the PRC (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.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. 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, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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

(c) Other items

	2023	2022
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**98,639**	85,852
– right-of-use assets	**2,636**	2,861
(Reversal)/recognition of impairment losses on trade receivables	**(5,348)**	5,833
Short-term lease charges	**210**	265
Provision for warranties	**4,943**	4,248
Auditors' remuneration	**1,950**	2,000
Research and development costs	**24,741**	21,129
Cost of inventories#	**630,781**	503,021

\# Cost of inventories includes RMB141,885,000 (2022: RMB124,676,000) relating to staff costs, depreciation and lease expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2023	2022
	RMB'000	*RMB'000*
Current taxation – PRC Corporate Income Tax		
Provision for the year	**5,359**	2,072
Deferred taxation		
Origination and reversal of temporary differences	**(3,872)**	674
	1,487	2,746

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	2023 *RMB'000*	2022 *RMB'000*
Profit before taxation	**12,755**	23,158
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	**3,601**	6,193
Under-provision in prior years	**3,959**	–
Tax effect of non-deductible expenses	**954**	685
Tax concessions (Note (iv))	**(5,281)**	(5,723)
Tax effect of withholding tax in connection with the retained profits distributed by a subsidiary of the Group	**(2,071)**	1,400
Tax effect of unused tax losses not recognised	**325**	191
Actual tax expense	**1,487**	2,746

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 Hong Kong incorporated subsidiary of the Group 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 was calculated at the same basis in 2022.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2023 (2022: 25%).

(iv) 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, this subsidiary is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, this subsidiary is also entitled to an additional tax deductible allowance calculated at 100% (2022: 100%) of its qualified research and development costs incurred.

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB11,268,000 (2022: RMB20,412,000) and the weighted average of 800,000,000 ordinary shares in issue during the year (2022: 800,000,000 ordinary shares).

(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 shares outstanding during the years ended 31 December 2023 and 2022.

8 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade receivables	**213,720**	198,801
Less: loss allowance	**(38,971)**	(44,319)
	174,749	154,482
Bills receivable	**95,772**	102,604
Financial assets measured at amortised cost	**270,521**	257,086
Other receivables and prepayments	**34,695**	43,132
Deductible value added tax	**14,117**	17,128
	319,333	317,346

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

(a) Ageing analysis

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

	2023 *RMB'000*	2022 *RMB'000*
Less than 1 month	**129,044**	100,339
1 to 3 months	**108,044**	108,324
3 to 6 months	**33,088**	46,156
Over 6 months	**345**	2,267
	270,521	257,086

(b) Transfer of financial assets

The Group receives short-term bank acceptance notes from its customers as a method of settlement of goods sold. The Group is entitled to receive the full amount of face values from the issuing banks upon the maturities of these notes, which generally range from 3 to 12 months from the dates of issuance.

During the year of 2023, the Group discounted certain bank acceptance notes at banks, and endorsed certain bank acceptance notes to its suppliers and other creditors for settlement of the Group's trade and other payables on a full recourse basis. Upon the above discounting or endorsement, the Group has derecognised the bills receivable in their entirety. These derecognised bank acceptance notes have maturity dates of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group assessed that the discounted and endorsed bank acceptance notes were issued by highly-rated banks, the credit risks were relatively insignificant and the Group was not exposed to the relative interest risk. At 31 December 2023, the Group's maximum exposure to loss and undiscounted cash outflow should the issuing banks fail to settle the bills on maturity dates amounted to RMB76,891,000 (2022: RMB47,733,000).

9 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**260,812**	250,803
Bills payable	**20,000**	–
Tade and bill payables	**280,812**	250,803
Payables for construction of property, plant and equipment	**67,828**	60,203
Payables for staff related costs	**7,823**	6,386
Contract liabilities (Note (iii))	**8,876**	6,755
Others	**11,412**	15,805
Financial liabilities measured at amortised cost	**376,751**	339,952
Payables for other taxes	**257**	37
	377,008	339,989

Notes:

(i) All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(ii) The ageing analysis of trade and bills payables, which are included in trade and other payables, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Less than 1 month	**114,457**	68,154
1 to 3 months	**60,926**	80,863
3 to 6 months	**43,731**	50,672
Over 6 months	**61,698**	51,114
	280,812	250,803

(iii) Contract liabilities represents advances from customers for the goods to be transferred by the Group. Movements in contract liabilities are set out below:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**6,755**	5,028
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(6,755)**	(5,028)
Advances received from customers	**8,876**	6,755
Balance at 31 December	**8,876**	6,755

10 INTEREST-BEARING BORROWINGS

(a) The Group's short-term interest-bearing borrowings comprise:

	2023	2022
	RMB'000	*RMB'000*
Bank loans		
Secured by property, plant and equipment and right-of-use assets	**84,202**	220,970
Secured by bills receivable	**–**	9,864
	84,202	230,834
Add: current portion of long-term bank and other borrowings	**16,997**	2,435
	101,199	233,269

(b) The Group's long-term interest-bearing borrowings comprise:

	2023 *RMB'000*	2022 *RMB'000*
Bank and other borrowings		
Secured by property and plant and equipment and right-of-use assets	**159,322**	4,612
Less: current portion of long-term bank and other borrowings	**(16,997)**	(2,435)
	142,325	2,177

The Group's long-term bank and other borrowings are repayable as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within 1 year or on demand	**16,997**	2,435
After 1 year but within 2 years	**112,825**	2,177
Over 2 years	**29,500**	–
	159,322	4,612

(c) The aggregate carrying amount of property, plant and equipment, right-of-use assets and bills receivables pledged for the Group's interest-bearing borrowings is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Property, plant and equipment	**78,234**	40,608
Right-of-use assets	**73,319**	59,336
Bills receivable	**–**	9,864
	151,553	109,808

(d) Certain of the Group's interest-bearing borrowings are subject to the fulfilment of covenants relating to financial ratios commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the interest-bearing borrowings would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2023, none of the covenants had been breached (2022: None).

11 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2023	2022
	RMB'000	*RMB'000*
Interim dividend declared and paid of HK$1.5 cents per ordinary share (2022: HK$1.7 cent per ordinary share)	**11,039**	12,173

The board of directors of the Company resolved to declare an interim dividend of HK1.5 cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK1.7 cents) to those shareholders whose names are on the register of members of the Company on 27 October 2023.

Subsequent to the end of the reporting period, the board of directors of the Company resolved to declare a final dividend of HK$12,000,000, at HK$1.5 cents per share for the year ended 31 December 2023, which is subject to approval by the shareholders of the Company at the Annual General Meeting (2022: Nil). The final dividend proposed after the end of the reporting period has not been recognised as a liability as at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not propose a dividend in respect of year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The automobile industry is a significant pillar industry of the national economy. Increasing the volume of automobile sales has become crucial for boosting economic growth and stimulating domestic consumption. With the improved economic environment, technological advancements and favorable policies, the development of the automobile industry continues to thrive. The automotive market in the PRC is anticipated to experience steady growth in both production and sales volume in the future. Based on the PRC government's announcement published on 11 January 2024, the China Association of Automobile Manufacturers reports that, the volume of automobile production and sales in the PRC between January and December 2023 reached approximately 30.2 million units and approximately 30.1 million units, respectively, representing an increase of 11.6% and 12.0% as compared with the corresponding period last year.

Development of new energy vehicles

In recent years, with consumers' increasing awareness of environmental protection and energy conservation and the continuous advancement of new energy vehicle technologies, the performance, safety, and affordability of new energy vehicles have significantly improved, which are more closely aligned with market demands. This has led to a gradual rise in consumer awareness and acceptance of new energy vehicles. Meanwhile, the construction of charging infrastructure and the development of corresponding services have been further enhanced to provide better support for the advancement of new energy vehicles. The PRC government has offered strong policy support to the new energy vehicle industry, including financial subsidies, purchase tax exemptions, and the building of charging infrastructure. These policies have fostered the growth of the new energy vehicle industry. In light of the above factors, the new energy vehicle industry in the PRC is set to sustain its rapid growth in the future.

Increasing demand for vehicles

The automotive engine cylinder block industry is an important part of the automobile industrial chain. Serving as the engine's core component, the cylinder block provides structural support for the engine and performs crucial functions such as lubrication, cooling, and sealing. With ongoing economic development, coupled with rising living standards, and a steady decline in automobile prices, the demand for automobiles is on the rise. Consequently, the demand for automotive engine cylinder blocks will continue to increase simultaneously and the market of this component is poised for expansion. The continuous growth of the economy is a strong driving force for the ongoing development of the automotive engine cylinder block industry in the future.

Technological advancements of engine cylinder blocks

With the continuous advancement of science and technology, the technology development engine cylinder blocks is also constantly improving. The cylinder block is one of the key components of the automobile engine, and its quality and performance may have direct impacts on the safety and functionality of the automobile. Therefore, enterprises are intensifying their focus on enhancing technological proficiency and production capabilities. They are also capable of customized production tailored to meet market demands and customer needs, which will further promote the development of the engine cylinder block industry.

National policies and measures

During the Year, the PRC government introduced a series of policies and measures at both the national and local levels to stimulate automobile consumption. These policies and measures include:

- In June 2023, in order to support the development of the new energy vehicle industry and stimulate automobile consumption, the Ministry of Finance, the State Administration of Taxation, and the Ministry of Industry and Information Technology jointly released the Announcement on Continuing and Optimizing the Vehicle Purchase Tax Reduction and 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》). The announcement proposes to continue and optimize the vehicle purchase tax reduction and exemption policy for new energy vehicles.

- In July 2023, for the purposes of further stabilizing and increasing automobile consumption, optimizing the management system and market environment for automobile purchase and use, and exerting greater efforts to promote the sustainable and healthy development of new energy vehicles, the National Development and Reform Commission, together with relevant departments and entities, has formulated the Several Measures for Promoting Automobile Consumption (《關於促進汽車消費的若干措施》). These measures can bolster automobile consumption, and drive the high quality development of the upstream and downstream related industries in the automobile industrial chain.

- In August 2023, in order to maintain the stable development of the automobile industry and further improve the quality of the industry, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Transport, the Ministry of Commerce, the General Administration of Customs, the General Administration of Financial Supervision and the National Energy Administration jointly issued the Work Plan for Stable Growth of the Automobile Industry (2023-2024) (《汽車行業穩增長工作方案(2023-2024年)》). This measure aims to maintain the stability of traditional fuel vehicles usage while encouraging enterprises to adopt a green, low-carbon approach by actively exploring the utilization of hybrid electric vehicles, low-carbon fuels, and other technological solutions, so as to sustain the stable growth of the automobile industry. This measure also guides both the upstream and downstream enterprises in the automobile industrial chain to strengthen the supply-demand coordination and in-depth collaboration by, amongst others, fostering strategic alliances, entering into long-term contracts, and facilitating technological cooperation.

Overall, the automobile engine cylinder block industry is a competitive high-tech field with great market potential. Enterprises need to constantly innovate and enhance their technological competencies so as to adapt to the evolving market dynamics and trends and meet the needs of customers.

BUSINESS REVIEW

The Group is principally engaged in the design, development, manufacture and sales of cylinder blocks, as well as cylinder heads and ancillary cylinder block components and others, to automobile manufacturers and engine manufacturers. 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 year ended 31 December 2023, revenue and profit for the year attributable to equity shareholders of Company amounted to approximately RMB718.5 million and approximately RMB11.3 million, representing an increase of approximately 19.7% and decrease of approximately 44.8% as compared to the year ended 31 December 2022, respectively. The increase in revenue was mainly attributable to the increase in sales orders from customers. The decrease in profit for the year attributable to equity shareholders of Company is primarily attributable to (i) a decrease in government grants recognized as compared with the year ended 31 December 2022 and (ii) a decrease in gross profit, primarily due to the obtaining and securing of further sales orders from prominent automobile manufacturers for the products of cylinder blocks and cylinder heads at lower gross profits, which is also a result of the Group's latest strategic objective to increase the Group's share of the market.

During the year ended 31 December 2023, the Group has adjusted its market strategy and considerable efforts were dedicated to the research and development of new products tailored for new energy vehicles. Despite these products being in early development stages, necessitating substantial costs for refinement and enhancement with current returns being relatively low temporarily, the Board considers these new products signify our commitment to fortifying the Group's competition capacity which will increase the Group's market share in the industry. The Board remains optimistic about these initiatives, anticipating they will fulfill market needs and catalyze a surge in orders from leading automobile manufacturers in 2024, thereby strengthening the Group's revenue stream.

For the year ended 31 December 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 structural components of cylinder blocks and others, primarily including main bearing caps and flywheels. The following table sets forth the revenue and sales volume by each segment and major product type for the years ended 31 December 2023 and 2022:

	For the year ended 31 December					
	2023			2022		
	Revenue	**As a percentage of total revenue**	**Sales volume**	Revenue	As a percentage of total revenue	Sales volume
	RMB'000	**%**	***units***	*RMB'000*	%	*units*
Cylinder blocks						
– passenger vehicles	**172,199**	**24.0**	**241,534**	144,923	24.1	202,198
– commercial vehicles	**252,889**	**35.2**	**268,811**	247,390	41.2	253,576
– industrial vehicles	**148,227**	**20.6**	**113,789**	90,149	15.0	63,744
Subtotal	**573,315**	**79.8**	**624,134**	482,462	80.3	519,518
Cylinder heads	**138,451**	**19.3**	**218,766**	113,820	19.0	194,487
Ancillary cylinder block components and others	**6,721**	**0.9**	**348,908**	4,205	0.7	104,370
Total	**718,487**	**100.0**		600,487	100.0	

Cylinder blocks for passenger vehicles

The cylinder blocks for passenger vehicles are normally used in light-weight engines of 1.0 to 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 total revenue from sales of cylinder blocks for passenger vehicles slightly decreased from approximately 24.1% of the Group's total revenue for the year ended 31 December 2022 to approximately 24.0% for the year ended 31 December 2023. Sales volume of cylinder blocks for passenger vehicles increased by approximately 19.5% from approximately 202,000 units for the year ended 31 December 2022 to approximately 242,000 units for the year ended 31 December 2023. Such increase was primarily due to increase in sales orders from prominent automobile manufacturers and engine manufacturers.

With the intense market competition, the Group closely monitors the rapidly evolving market and the strategies adopted by our competitors. Our market strategy is adjusted according to shifts in market trends and customer demands. In order to expand our market share, the Group has further enhanced the cooperation with prominent automobile manufacturers to customize our products to meet their specific needs in response to intense market competition. In addition, our customers mainly comprise prominent automobile manufacturers. The increase in sales to these manufacturers of automobiles has led to increase in demand for our products and resulting in a rise in sales orders to the Group.

In recent years, as new energy vehicles become more popular, most consumers choose to purchase new energy vehicles or plug-in hybrid electric (the "**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. Based on the announcement published by the PRC government dated 11 January 2024, the China Association of Automobile Manufacturers reports that the sales volume of new energy vehicles for the year ended 31 December 2023 has increased by 37.9% as compared with the corresponding period last year, and reaching approximately 9.5 million units. 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 the PHE vehicles.

Cylinder blocks for commercial vehicles

The cylinder blocks for commercial vehicles are normally used in engines of 1.5 to 2.1 liters. The cylinder blocks for commercial vehicles are made from grey cast iron alloy. The portion of total revenue from sales of cylinder blocks for commercial vehicles decreased from approximately 41.2% of the total revenue for the year ended 31 December 2022 to approximately 35.2% for the year ended 31 December 2023. The sales volume of cylinder blocks for commercial vehicles increased by approximately 6.0% from approximately 254,000 units for the year ended 31 December 2022 to approximately 269,000 units for the year ended 31 December 2023. The increase in sales volume was mainly due to the rise in sales orders from a prominent automobile manufacturer and an engine manufacturer. Taking advantage of the post-COVID-19 economic recovery, demand for commercial vehicles has risen which led to an increase in demand for our products.

Due to our high quality of products and strong production capacity, we have successfully obtained further sales orders from a leading automobile manufacturer with sales volume amounting to approximately 33,000 units for the year ended 31 December 2023 as compared with approximately 15,000 units for the year ended 31 December 2022. Furthermore, an engine manufacturer has increased its export sales to overseas in 2023 which in turn led to an increase in demand for our products and resulting in an increase in sales orders for the Group.

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 future. In addition, in order to increase the Group's market share of cylinder blocks for commercial vehicles, the Group allocated more resources into both overseas and domestic markets in 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 total revenue from sales of cylinder blocks for industrial vehicles increased from approximately 15.0% of total revenue from sales of cylinder blocks for the year ended 31 December 2022 to approximately 20.6% for the year ended 31 December 2023. Meanwhile, sales volume of cylinder blocks for industrial vehicles increased by approximately 78.5% from approximately 64,000 units for the year ended 31 December 2022 to approximately 114,000 units for the year ended 31 December 2023. Such increase was primarily attributable to an uptick in sales orders from new customers.

During the Year, the Group gained new customers engaged in selling cylinder blocks to the Russian market. The Group has sold approximately 35,000 units cylinder blocks for industrial vehicles to the new customers for the year ended 31 December 2023, generating sales revenue of approximately RMB32.3 million. Meanwhile, the Group has further cooperated with a customer by selling our products to its overseas production base. The customer increased its number of sales orders from us and the Group has commenced mass production for its orders during the Year. The sales volume to this customer is approximately 17,000 units for the year ended 31 December 2023 as compared with approximately 5,000 units for the year ended 31 December 2022.

The increase in sales orders from a customer's overseas production bases and new customers who are engaged in exporting our products overseas demonstrates that the Group's product quality has achieved global standards. In the future, the Group will reallocate more resources to explore overseas markets and identify further cooperation 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.

Cylinder Heads

The cylinder heads are primarily used in passenger and commercial vehicles and are often sold together with cylinder blocks to automobile manufacturers and engine manufacturers. The portion of revenue from sales of cylinder heads increased from approximately 19.0% of total revenue for the year ended 31 December 2022 to approximately 19.3% of total revenue for the year ended 31 December 2023. Meanwhile, sales volume of cylinder heads increased by approximately 12.5% from approximately 194,000 units for the year ended 31 December 2022 to approximately 219,000 units for the year ended 31 December 2023. Such an increase was primarily attributable to increase in sales orders from customers.

In particular, our cylinder heads are used for a range of vehicle models manufactured by a prominent automobile manufacturer. The increase in sales volume to this automobile manufacturer has driven up the demand, which leads to an increase in sales orders of cylinder heads. The sale volume is approximately 99,000 units to this customer for the year ended 31 December 2023 as compared with approximately 62,000 units for the year ended 31 December 2022.

Production Facilities

All production facilities of the Group are located in Shenzhou City, Hebei Province, the PRC. As at 31 December 2023, the Group owned and operated a total of 5 precision casting lines and 33 mechanical processing lines (including 27 for cylinder blocks, 1 for cylinder blocks and cylinder heads as the same line, 6 for cylinder heads and 4 for ancillary cylinder block components and others).

As at 31 December 2023, the Group is building 2 new mechanical processing lines either by renovating the existing production line or investing in a new production line.

FUTURE PROSPECTS

Recently, due to the growing trend of carbon neutrality and environmental protection, the development of automobiles has been undergoing tremendous transformation. Diversified drive systems, including electric drive, hybrid drive, and hydrogen drive, has emerged from the traditional internal combustion engine system. As technology advances, the percentage of sales of new energy vehicles in the overall automobile market slowly increases. The Group expects the growth rate of new energy vehicles to continue to lead the automobile market. In response to changes in the market environment, the Group has carried out strategic adjustments and a new layout, forming three strategic business segments, namely the traditional internal combustion engine segment, the new energy hybrid segment and the overseas business segment. The Group will still have to carry out enormous expansion work in the future. In order to achieve the above objectives, the Group will adopt the primary strategy of “stability” and the secondary strategy of “speediness”.

New Energy Vehicles

The new energy vehicle industry has experienced rapid growth, driven by national policy support, record-high fuel prices, and the gradual maturity of new energy vehicle technology. The Group has been focusing on the development of the new energy vehicle industry and the relevant upstream and downstream industries for the purpose of achieving long-term performance growth in the future. Given the emerging trend of lightweight design of new energy vehicles, the Group utilizes new materials for automobile components and optimizes structural design to enhance vehicle performance and reduce energy consumption, in order to achieve lighter weights of vehicles and lower automobile production costs while improving the cost-effectiveness and endurance capabilities of new energy vehicles.

In order to capture business opportunities arising from the current trends in the industry and increasing demand for lightweight components, the Group has been proactively planning to expand its business from the production of internal combustion engines to the assembly of automobile components based on the needs of its existing customers since last year. The ultimate goal is to enable the Group's production business to cover lightweight components for new energy vehicles, which include battery chassis, chassis components, motor shells, integrated casting vehicle bodies and other products. Currently, the Group has completed the initial transformation of its new energy components segment to offer more competitive products to existing and potential new customers, thereby increasing the production volume and sales volume of new energy products.

The Group will continue to dedicate additional resources in the new energy vehicle industry. During the Year, the Group commenced the upgrading of its new energy vehicle components plant. The upgraded plant has achieved intelligent production with enhanced production efficiency, which establishes a platform for the Group's transformation of new energy vehicle products and a development track thereof, pathing the way for the development of the Group's automobile intelligent equipment manufacturing segment.

Responding to demands from market users, the Group will seek cooperation with domestic automobile technology enterprises in the future to enhance the existing power control system of new energy vehicles, as well as conduct in-depth research and development on the energy recovery system to reduce the power consumption of new energy vehicles and improve their endurance capabilities. Eventually, the research and development outcomes will be implemented to the Group's products and launched in the market, thereby increasing the revenue of the Group.

One of the key focuses for the Group's future development is to realize the production of world-class automobile components in the field of new energy vehicles.

Overseas expansion

The Group intends to expand into different overseas markets due to uncertainties in the domestic economic landscape and intense competition in the automobile market within the PRC. So far, the Group has continuously received orders of sales from reputable overseas customers, indicating that the products of the Group meet international standards and is recognized by overseas customers.

The Group expects that overseas automobile enterprises will seek to enhance the prevalence of their products and lower the research and development costs of automobile internal combustion cylinder blocks. Therefore, the Group foresees a growing number of overseas automobile enterprises seeking to acquire the technologies from manufacturers of automobile internal combustion cylinder blocks in the PRC and strengthening cooperation with these manufacturers of automobile internal combustion cylinder blocks in the PRC. This will be conducive to the further expansion of the Group's overseas export business.

In respect of overseas markets, the Group has already established an overseas project development team and formulated a detailed implementation plan. In accordance with our expansion strategy, the Group will rationally allocate resources such as manpower, materials and financial resources to actively pursue new overseas customers based on referrals from existing customers. Meanwhile, the Group will seek out overseas partners with complementary strengths to jointly explore overseas markets and achieve mutually beneficial outcomes.

In the future, the Group will participate in industry exhibitions held overseas to promote the Group's brand, products and capabilities through face-to-face communication and explanation, thereby enhancing brand publicity, brand awareness and reputation, as well as customer loyalty. The overseas project development team will monitor the implementation of the plan with agility and innovation, as well as to continually optimize the plan, and promptly adjust to changes in the overseas market. Ultimately, the Group aims to achieve sustainable growth in certain overseas markets for the Group.

Continuing to Enhance Production Capacity

The Group's business scale and outstanding production capacity will enable us to become one of the leading automobile manufacturers in the PRC. Our production facilities and processes allow us a high degree of flexibility in meeting the diverse needs of our customers. Most of our production lines are adjustable, with the flexibility to add or replace certain production equipment without significant additional installation time or costs. We remain committed to enhancing and upgrading our production processes, so as to be able to produce different models within a single production line, thus reducing equipment costs.

Looking forward, the Group plans to continue to invest capital expenditure for the acquisition of machinery and equipment to adjust the existing production lines or to build new production lines in order to increase the Group's production capacity to fulfil new orders from customers. In addition, the Group plans to continue to implement intelligent manufacturing processes in its production. To achieve this, we have engaged experts to collaborate in the design and construction of intelligent manufacturing processes, streamlining cumbersome and superfluous production processes to enhance efficiency and operational effectiveness, thereby further optimising production processes and expanding production capacity to accommodate the growing demand for our products in the market.

Intelligent Operation

In response to the Industry 4.0 policy and the notice of Made in China 2025 (《中國製造2025》), the Group is embracing the integration of information technology and manufacturing industries. The Group plans to leverage advanced technologies such as the internet of things (IoT), cloud computing, artificial intelligence, virtual reality and robotics, to optimize resources, talent and information in both the virtual and real world, in order to become a "Smart Factory" with high flexibility and high resource utilization efficiency. We believe that the Smart Factory will enable real-time information flow from product development, procurement, manufacturing, distribution and retail to customers, as well as to improve information transparency, so as to improve the overall operational efficiency while reducing operational cost.

Development of Corporate Culture

Corporate culture is the soul of the Company and the driving force of its progress. Guided by our corporate culture, each employee can discover his or her role and value in the Company. In order to instill our corporate culture into every employee's mind, the Group has engaged a professional team to conduct corporate culture trainings and team building activities since June 2023. Through these trainings, our corporate culture will be deeply ingrained into the daily work and lives of each and every employee, thereby enabling them to accomplish their work effectively. Team building activities can also improve employees' job satisfaction and boost corporate competitiveness, ultimately contributing to the sustainable development of the Company. In the future, the Group will continue to organize trainings related to the core principles of the Company and team building activities so that our employees can work together to achieve our corporate goals.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 19.7% from approximately RMB600.5 million for the year ended 31 December 2022 to approximately RMB718.5 million for the year ended 31 December 2023. This increase was primarily attributable to increase in revenue from cylinder blocks for passenger vehicles, commercial vehicles and industrial vehicles as well as increase in revenue from cylinder heads due to increase in sales orders from new customers and increase in demands for these kinds of the products from existing customers.

Sales of Cylinder Blocks

Segment revenue from sales of cylinder blocks increased by approximately 18.8% from approximately RMB482.5 million for the year ended 31 December 2022 to approximately RMB573.3 million for the year ended 31 December 2023. Meanwhile, the sales volume of cylinder blocks increased by approximately 20.1% from approximately 520,000 units for the year ended 31 December 2022 to approximately 624,000 units for the year ended 31 December 2023. The increase were primarily attributing to the increase in sales orders for the cylinder blocks from new customers and existing customers.

Sales of Cylinder Heads

Segment revenue from sales of cylinder heads increased by approximately 21.6% from approximately RMB113.8 million for the year ended 31 December 2022 to approximately RMB138.5 million for the year ended 31 December 2023. The sales volume of cylinder heads increased by approximately 12.5% from approximately 194,000 units for the year ended 31 December 2022 to approximately 219,000 units for the year ended 31 December 2023. This increase was primarily due to increase in demand for cylinder heads from customers.

Sales of Ancillary Cylinder Block Components and Others

Segment revenue from sales of ancillary cylinder block components and others increased by approximately 59.8% from approximately RMB4.2 million for the year ended 31 December 2022 to approximately RMB6.7 million for the year ended 31 December 2023. The sales volume of ancillary cylinder block components and others increased by approximately 234.3% from approximately 104,000 units for the year ended 31 December 2022 to approximately 349,000 units for the year ended 31 December 2023. This increase was primarily attributable to increase in demands from customers.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 10.0% from approximately RMB97.5 million for the year ended 31 December 2022 to approximately RMB87.7 million for the year ended 31 December 2023. Meanwhile, the gross profit margin decreased from 16.2% for the year ended 31 December 2022 to 12.2% for the year ended 31 December 2023, primarily due to a obtaining and securing of further sales orders from prominent automobile manufacturers for the products of cylinder blocks and cylinder heads at lower gross profits which is also a result of the Group's latest strategic objective to increase the Group's share of the market. Details of our Group's latest strategies are set out in the section headed "Business Review" of this announcement.

Other Income

Other income decreased by approximately 34.6% from approximately RMB23.2 million for the year ended 31 December 2022 to approximately RMB15.2 million for the year ended 31 December 2023. This decrease was primarily due to a decrease in government grants recognised. The Group recognised government grants of approximately RMB13.6 million for the year ended 31 December 2023, as compared with government grants of approximately RMB22.8 million recognised for the year ended 31 December 2022.

Selling Expenses

Selling expenses decreased by approximately 1.6% from approximately RMB10.5 million for the year ended 31 December 2022 to approximately RMB10.4 million for the year ended 31 December 2023. This decrease is primarily attributable to a decrease in expenses for marketing activities.

Administrative Expenses

Administrative expenses increased by approximately 3.0% from approximately RMB72.9 million for the year ended 31 December 2022 to approximately RMB75.1 million for the year ended 31 December 2023. The increase in administrative expenses was attributable to an increase in research and development costs for the year ended 31 December 2023.

Reversal/(recognition) of impairment losses on trade receivables

The Group recognised reversal of impairment losses on trade receivables of approximately RMB5.3 million for the year ended 31 December 2023, as compared to recognition of an impairment losses on trade receivables of approximately RMB5.8 million for the year ended 31 December 2022. The change is primarily attributable to the Group having made sufficient impairment loss on long aging trade receivables in the past few years.

Finance Costs

Finance costs increased by approximately 21.3% from approximately RMB8.2 million for the year ended 31 December 2022 to approximately RMB10.0 million for the year ended 31 December 2023, primarily due to an increase in interest expenses for interest-bearing borrowings.

Income Tax

Income tax expenses decreased by approximately 45.8% from approximately RMB2.7 million for the year ended 31 December 2022 to approximately RMB1.5 million for the year ended 31 December 2023 primarily due to a decrease in operating profits of the Group and reduction in tax effect of withholding tax in connection with the retained profits distribution.

Profit for the Year

As a result of the foregoing, the profit for the year decreased by approximately 44.8% from approximately RMB20.4 million for the year ended 31 December 2022 to approximately RMB11.3 million for the year ended 31 December 2023. The net profit margin decreased from 3.4% for the year ended 31 December 2022 to 1.6% for year ended 31 December 2023, which was mainly attributable to a decrease in government grant recognized and a decrease in gross profit as explained above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operation of the Group is primarily financed by cash generated from operating activities and interest-bearing borrowings. As of 31 December 2023 and 2022, cash at bank and on hand, denominated in Renminbi, of the Group amounted to approximately RMB40.6 million and approximately RMB11.6 million, respectively.

The Group monitors its cash flows and cash at bank and on hand balance on a regular basis and seeks to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business 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.

Trade and Bills Receivables

The net trade receivables and bills receivable increased by approximately 5.2% from approximately RMB257.1 million as at 31 December 2022 to approximately RMB270.5 million as at 31 December 2023. The increase is primarily due to an increase in revenue and a reversal of impairment loss of approximately RMB5.3 million for the year ended 31 December 2023.

Trade and Bills Payables

The trade and bills payables increased by approximately 12.0% from approximately RMB250.8 million as at 31 December 2022 to approximately RMB280.8 million as at 31 December 2023 primarily due to an increase in purchase of raw materials for production.

Interest-bearing borrowings

Interest-bearing borrowings increased from approximately RMB235.4 million as at 31 December 2022 to approximately RMB243.5 million as at 31 December 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 RMB151.6 million (31 December 2022: approximately RMB109.8 million).

All interest-bearing borrowing as at 31 December 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:

Repayment Schedule	**2023** ***RMB'000***	2022 *RMB'000*
Within 1 year or on demand	**101,199**	233,269
After 1 year but within 2 years	**112,825**	2,177
Over 2 years	**29,500**	–
Total	**243,524**	235,446

Gearing Ratio

The gearing ratio increased from approximately 23.9% as at 31 December 2022 to approximately 24.7% as at 31 December 2023, primarily attributing to an increase in interest-bearing borrowings of approximately RMB8.1 million for the year ended 31 December 2023 compared with the year ended 31 December 2022.

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

Capital Expenditure

The capital expenditure of the Group was approximately RMB101.9 million for the year ended 31 December 2023 as compared with approximately RMB163.2 for the year ended 31 December 2022. The capital expenditure incurred for the year ended 31 December 2023 was primarily related to the construction of new mechanical processing lines for the new products and purchases of additional equipment and machinery used for improvement of the existing production lines.

Capital Commitments

As at 31 December 2023, the capital commitments of the Group in respect of property, plant and equipment contracted for amounted to approximately RMB22.5 million as compared with approximately RMB20.5 million as at 31 December 2022.

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees (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 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. Therefore, the Group has not engaged in any hedging transactions to manage the potential fluctuation in foreign currencies during the year ended 31 December 2023.

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 year ended 31 December 2023 (31 December 2022: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 766 employees (31 December 2022: 816 employees). For the year ended 31 December 2023, the Group has incurred total staff costs of approximately RMB83.5 million (year ended 31 December 2022: RMB75.1 million), representing an increase of approximately 11.1% as compared with this for year ended 31 December 2022.

The executive Directors of the Company agreed to waive part of director's salary for the year ended 31 December 2022 and 2023 and agreed to receive the director's fee of RMB40,000 for the year ended 31 December 2023 (31 December 2022: RMB40,000).

The Group believes its success depends on its employees' provision of consistent, high-quality and reliable services. Most of the Group's employees were working at the manufacturing plant in Shenzhou, PRC. 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 and provide continuous training for its staff. 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.

MAJOR SUBSEQUENT EVENTS

In 2019 and 2020, the Company entered into agreements with a target company (the "**Target Company**") and a vendor (the "**Vendor**"), which is the sole shareholder of the Target Company. Other non-current assets as at 31 December 2023 represents payment for an investment to a Target Company. Pursuant to the Agreements, the Company will acquire the 10.7% equity interests of the Target Company from the Vendor (the "**Acquisition**"). The Target Company is mainly engaged in the design and manufacturing of power systems, braking systems, vehicle spare parts and components. The consideration for the acquisition in relation to the 10.7% equity interest amounting to EUR5,000,000 which was paid by the Group in 2020. By the end of 31 December 2023 and up to the date of this announcement, the Acquisition has not yet been finalised.

Subsequent to the end of the reporting date, the Company initiated certain legal actions towards the Target Company with a view to facilitate the re-negotiation with the Vendor. It is the intention of the Directors to enter into a supplemental agreement with the Vendor to proceed with the Acquisition in 2024. The Directors are of the view that the progress has been made subsequent to the end of the reporting date and anticipate that the re-negotiation could be reached within twelve months after the end of the reporting period.

Save for the above, there are no major subsequent events to 31 December 2023 which would materially affect the Group's operating and financial performance as of the date of this announcement.

KEY RISKS AND UNCERTAINTIES

The main activities of the Group include production and sales of cylinder blocks and cylinder heads as well as ancillary cylinder block components and others. 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:

(i) Operational risks

The top five customers of the Group, which primarily include large automobile manufacturers and engine producers located in the PRC, accounted for approximately 65.7%, of the total revenue for the year ended 31 December 2023. The largest customer of the Group accounted for approximately 21.9% of the total revenue for the year ended 31 December 2023. The largest customer for the year ended 31 December 2023 was an automobile manufacturer. 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.

(ii) 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. The borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(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.

(iii) 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.

With the rapid development of relevant technologies and a variety of policies issued by the government of the PRC to support the development of the new energy vehicle industry, new energy vehicles are likely to gain increasing acceptance and popularity in the future and resulting in encroaching on the market share of the traditional gasoline and diesel-powered vehicles. Currently, the traditional fuel vehicles still account for a significant share in the automobile market in the PRC. We would expect any significant decrease in demand for traditional fuel vehicles in the PRC would result in a corresponding decrease in sales of our existing products and the Group's operations and financial result would be materially and adversely affected. During the year, we have commenced the upgrading of new energy vehicle components plant and invested further resource to develop new products to be used for new energy vehicles in order to satisfy the market need.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2023 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

For determining the shareholder's entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on 29 May 2024, the register of members of the Company will be closed from 23 May 2024 to 29 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 pm on 22 May 2024, being the business day before the first day of closure of the register of members.

The Board has resolved on 28 March 2024 to recommend the payment of a final dividend of HK$1.5 cents per share for the year ended 31 December 2023 (2022: Nil) to shareholders of the Company whose names appear on the register of members of the Company on 20 June 2024. The register of members will be closed from 18 June 2024 to 20 June 2024, both days inclusive, and the proposed final dividend is expected to be paid on or before 19 July 2024. The payment of dividends shall be subject to the approval of the shareholders of the Company at the AGM expected to be held on 29 May 2024. 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 Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on 17 June 2024, being the business day before the first day of closure of the register of members.

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 four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") under Part 2 of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2023, the Company has fully complied with the Code Provisions, except for the following deviation.

Pursuant to code provision C.2.1 of the CG code, the roles of the chairman and the chief executive officer should be segregated 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 year ended 31 December 2023. Our Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed lssuers ("**Model Code**") as set out in Appendix C3 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 year ended 31 December 2023.

FINAL AND INTERIM DIVIDEND

A final and interim dividend of HK$1.5 cents and HK$1.5 cents per ordinary share (2022: Nil and HK$1.7 cents) is payable on 19 July 2024 and was paid on 17 November 2023 respectively. No Shareholder of the Company has waived or agreed to waive any dividends.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on this preliminary announcement.

ANNUAL GENERAL MEETING

The AGM will be held on 29 May 2024. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of the AGM and form of proxy accompanying thereto to be dispatched by the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management and external auditor of the Company the accounting principles and policies adopted by the Group, and discussed the internal control and financial reporting matters, including a review of the annual results of the Group for the year ended 31 December 2023.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hbsgt.com and the annual report for the year ended 31 December 2023 containing all the information required by the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Ruifeng Power Group Company Limited
Meng Lianzhou
Chairman

Shenzhou, the PRC, 28 March 2024

As of the date of this announcement, the Board comprises Mr. Meng Lianzhou, Mr. Liu Zhanwen, Mr. Zhang Yuexuan and Mr. Liu Enwang, as executive Directors; and Mr. Ren Keqiang, Mr. Yu Chun Kau and Mr. Wan Ming, as independent non-executive Directors.