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

(*Incorporated in the Cayman Islands with limited liability*)
(Stock Code: 2025)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Change
Revenue (RMB'000)	**355,049**	610,734	(41.9)%
Gross Profit (RMB'000)	**85,680**	190,051	(54.9)%
Gross profit margin	***24.1%***	*31.1%*	*(7.0)%*
Profit for the year (RMB'000)	**30,115**	102,349	(70.6)%
Net profit margin	***8.5%***	*16.8%*	*(8.3)%*
Basic and diluted earnings per share (RMB)	**0.04**	0.13	

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 financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

	Note	**2019** **RMB'000**	2018 RMB'000 (Note)
Revenue	3	**355,049**	610,734
Cost of sales		**(269,369)**	(420,683)
Gross profit	3(b)	**85,680**	190,051
Other income	4	**39,658**	41,785
Selling expenses		**(10,929)**	(21,842)
Administrative expenses		**(68,784)**	(74,460)
Profit from operations		**45,625**	135,534
Finance costs		**(10,660)**	(10,924)
Profit before taxation	5	**34,965**	124,610
Income tax	6	**(4,850)**	(22,261)
Profit attributable to equity shareholders of the Company for the year		**30,115**	102,349
Earnings per share			
Basic and diluted (RMB)	7	**0.04**	0.13
Profit for the year		**30,115**	102,349
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 into presentation currency		**4,039**	6,449
Total comprehensive income attributable to equity shareholders of the Company for the year		**34,154**	108,798

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(Expressed in RMB)

	Note	***2019*** **RMB'000**	*2018* RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**671,419**	643,991
Lease prepayments		**-**	116,235
Right-of-use assets		**113,753**	-
Deferred tax assets		**12,173**	10,218
		797,345	770,444
Current assets			
Inventories		**161,239**	143,876
Trade and other receivables	8	**304,231**	311,904
Prepaid income tax		**7,247**	12,123
Cash and cash equivalents		**49,283**	170,036
		522,000	637,939
Current liabilities			
Trade and other payables	9	**194,429**	227,119
Bank and other loans	10(a)	**120,920**	209,400
Lease liabilities		**67**	-
Provision for warranties		**1,809**	2,093
		317,225	438,612
Net current assets		**204,775**	199,327
Total assets less current liabilities		**1,002,120**	969,771

	Note	***2019***	*2018*
		RMB'000	RMB'000
			(Note)
Non-current liabilities			
Deferred income		**54,019**	55,301
Provision for warranties		**2,926**	3,449
Deferred tax liabilities		**4,857**	4,857
		61,802	63,607
NET ASSETS		**940,318**	906,164
CAPITAL AND RESERVES			
Share capital		**66,425**	66,425
Reserves		**873,893**	839,739
TOTAL EQUITY		**940,318**	906,164

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

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 Law, Cap 22 (Law 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, manufacture and sale of cylinder blocks and cylinder heads.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations 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**"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs 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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group.

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

The preparation of financial statements in conformity with IFRSs 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 IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC-15, *Operating leases – incentives*, and SIC-27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to the leased office premises in Hong Kong.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.93%.

To ease the transition to IFRS 16, the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	377
Less: total future interest expenses	(25)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	352

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018. The Group previously recorded the payments made on the acquisition of land held under an operating lease as "Lease prepayments". Since 1 January 2019, the amortised carrying amount of lease prepayment has been reclassified to "right-of-use assets".

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	*Impact on initial application of IFRS 16* RMB'000	*Carrying amount at 1 January 2019* RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Lease prepayments	116,235	(116,235)	-
Right-of-use assets	-	116,587	116,587
Total non-current assets	**770,444**	**352**	**770,796**
Lease liabilities (current)	-	264	264
Current liabilities	**438,612**	**264**	**438,876**
Net current assets	**199,327**	**(264)**	**199,063**
Total assets less current liabilities	**969,771**	**88**	**969,859**
Lease liabilities (non-current)	-	88	88
Total non-current liabilities	**63,607**	**88**	**63,695**
Net assets	**906,164**	**-**	**906,164**

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations and a negative impact on the reported profit before taxation in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				*2018*
	Amounts reported under IFRS 16	*Add back: IFRS 16 depreciation and interest expense*	*Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note 1)*	*Hypothetical amounts for 2019 as if under IAS 17*	*Compared to amounts reported for 2018 under IAS 17*
	(A)	(B)	(C)	(D=A+B-C)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**45,625**	**286**	**(309)**	**45,602**	**135,534**
Finance costs	(10,660)	24	-	(10,636)	(10,924)
Profit before taxation	**34,965**	**310**	**(309)**	**34,966**	**124,610**
Profit for the year	**30,115**	**310**	**(309)**	**30,116**	**102,349**
Reportable segment gross profit for the year ended 31 December 2019 (Note 3(b)) impacted by the adoption of IFRS 16:					
- Cylinder blocks	59,565	-	-	59,565	151,580
- Cylinder heads	21,669	-	-	21,669	30,617
- Ancillary cylinder block components	4,446	-	-	4,446	7,854
- Total	85,680	-	-	85,680	190,051

	2019			2018
	Amounts reported under IFRS 16	*Estimated amounts related to operating leases as if under IAS 17 (Notes 1 & 2)*	*Hypothetical amounts for 2019 as if under IAS 17*	*Compared to amounts reported for 2018 under IAS 17*
	(A)	(B)	(C=A+B)	
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the cash flow statement for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	106,527	(309)	106,218	109,100
Net cash generated from operating activities	**104,598**	**(309)**	**104,289**	**77,297**
Capital element of lease rentals paid	(285)	285	-	-
Interest element of lease rentals paid	(24)	24	-	-
Net cash used in financing activities	**(123,835)**	**309**	**(123,526)**	**186,538**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in the period. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

3. REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the manufacture and sale of cylinder blocks and cylinder heads.

(a) Disaggregation of revenue

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

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
- Sales of cylinder blocks	**278,538**	501,854
- Sales of cylinder heads	**60,319**	73,745
- Sales of ancillary cylinder block components	**16,192**	35,135
	355,049	610,734

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: 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 2019 and 2018. 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 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 2019 and 2018 is set out below:

	2019			
	Cylinder blocks **RMB'000**	***Cylinder heads*** **RMB'000**	***Ancillary cylinder block components*** **RMB'000**	***Total*** **RMB'000**
Revenue from external customers recognised at a point in time	**278,538**	**60,319**	**16,192**	**355,049**
Reportable segment gross profit	**59,565**	**21,669**	**4,446**	**85,680**

	2018			
	Cylinder blocks RMB'000	*Cylinder heads* RMB'000	*Ancillary cylinder block components* RMB'000	*Total* RMB'000
Revenue from external customers recognised at a point in time	501,854	73,745	35,135	610,734
Reportable segment gross profit	151,580	30,617	7,854	190,051

(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

	2019 **RMB'000**	2018 RMB'000
Government grants	**36,686**	40,555
Interest income	**1,700**	875
Net gain/(loss) on disposal of property, plant and equipment	**79**	(104)
Others	**1,193**	459
	39,658	41,785

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019 **RMB'000**	2018 RMB'000 (Note)
Interest on bank and other loans	**10,588**	10,489
Bank charges and others	**48**	435
Interest on lease liabilities	**24**	-
	10,660	10,924

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

No borrowing costs have been capitalised for the year ended 31 December 2019 (2018: RMB Nil).

(b) Staff costs#

	2019 **RMB'000**	2018 RMB'000
Salaries, wages and other benefits	**58,913**	62,588
Contributions to defined contribution retirement plan	**4,593**	6,452
	63,506	69,040

(c) Other items

	2019 RMB'000	2018 RMB'000 (Note)
Depreciation charge*		
- owned property, plant and equipment	**62,639**	63,039
- lease prepayments*	**-**	2,334
- right-of-use assets*	**2,834**	-
Impairment losses on trade receivables	**12,044**	153
Operating lease charges of short-term leases	**383**	129
Provision for warranties	**658**	1,255
Auditors' remuneration	**2,350**	2,800
Research and development costs	**13,370**	21,904
Cost of inventories#	**269,369**	420,683

* The Group has initially applied IFRS 16 using the modified retrospective approach and recognised right-of-use assets at 1 January 2019 relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the amortised carrying amount of payments made on the acquisition of land held under an operating lease as "Lease prepayments" now is identified as a right-of-use asset (see Note 2(c)(ii)).

The Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

Operating lease charges in 2019 represents the lease payments for short-term leases.

Cost of inventories includes RMB87,867,000 (2018: RMB100,183,000) relating to staff costs, and 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:

	2019	2018
	RMB'000	RMB'000
Current taxation - PRC Corporate Income Tax		
Provision for the year	**6,805**	17,059
Deferred taxation		
Origination and reversal of temporary differences	**(1,955)**	345
Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**-**	4,857
	(1,955)	5,202
	4,850	22,261

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

	2019	2018
	RMB'000	RMB'000
Profit before taxation	**34,965**	124,610
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**9,987**	32,506
Tax effect of non-deductible expenses	**191**	182
Tax concessions	**(5,613)**	(15,588)
Tax effect of withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**-**	4,857
Tax effect of unused tax losses not recognised	**285**	304
Actual tax expense	**4,850**	22,261

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 RMB30,115,000 (2018: RMB102,349,000) and the weighted average of 800,000,000 ordinary shares in issue during the year (2018: 797,808,000 ordinary shares).

The weighted average number of ordinary shares is calculated as follows:

	2019	2018
Issued ordinary shares at 1 January	**800,000,000**	9,999
Effect of capitalisation issue	**-**	599,990,001
Effect of shares issued on the initial listing of the Company's shares on the Stock Exchange	**-**	197,808,000
Weighted average number of shares in issue	**800,000,000**	797,808,000

The capitalisation issue took place on the initial listing of the Company's shares on the Stock Exchange is deemed to be completed on 1 January 2018 and the weighted average number of shares has been adjusted accordingly.

(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 2019 and 2018.

8. TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables	**186,781**	229,669
Less: loss allowance	**(12,709)**	(665)
	174,072	229,004
Bills receivables	**78,882**	64,781
Financial assets measured at amortised cost	**252,954**	293,785
Prepayments for an investment to a target company	**23,446**	-
Prepayments and deposits	**24,264**	18,119
Deductible value-added tax ("VAT")	**3,567**	-
	304,231	311,904

Ageing analysis

The ageing analysis of 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:

	2019	2018
	RMB'000	RMB'000
Less than 1 month	**89,067**	125,063
1 to 3 months	**70,881**	55,644
3 to 6 months	**42,087**	67,272
Over 6 months	**50,919**	45,806
	252,954	293,785

The Group's customers are mainly automobile and engine manufacturers in the PRC.

9. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	RMB'000
Trade payables	**102,358**	103,783
Payables for construction of property, plant and equipment	**66,093**	80,845
Payables for staff related costs	**9,159**	17,288
Payables for other taxes	**2,490**	7,715
Others	**14,329**	17,488
	92,071	123,336
Financial liabilities measured at amortised cost	**194,429**	227,119

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

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

	2019	2018
	RMB'000	RMB'000
Less than 1 month	**34,775**	28,839
1 to 3 months	**27,402**	39,000
3 to 6 months	**23,407**	27,907
Over 6 months	**16,774**	8,037
	102,358	103,783

10. BANK AND OTHER LOANS

(a) ***The Group's short-term bank and other loans comprise:***

	2019 RMB'000	2018 RMB'000
Short-term bank loans:		
– secured by property, plant and equipment and right-of-use assets	**112,920**	127,000
– secured by bills receivable	**8,000**	-
Loans from third parties:		
– secured by trade receivables	**-**	22,400
	120,920	149,400
Add: current portion of long-term bank and other loans (Note 10(b))	**-**	60,000
	120,920	209,400

(b) ***The Group's long-term bank and other loans comprise:***

	2019 RMB'000	2018 RMB'000
Loans from third parties:		
– unguaranteed and unsecured	**-**	60,000
	-	60,000
Less: current portion of long-term bank and other loans (Note 10(a))	**-**	(60,000)
	-	-

The long-term bank and other loans are repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**-**	60,000

(c) The aggregate carrying amount of property, plant and equipment, right-of-use assets, trade and bills receivables pledged for the Group's short-term bank and other loans is as follows:

	2019	2018
	RMB'000	RMB'000
Property, plant and equipment	**145,230**	79,182
Lease prepayments	**-**	38,653
Right-of-use assets	**26,486**	-
Bills receivable	**8,000**	-
Trade receivables	**-**	22,400
	179,716	140,235

11. DIVIDENDS

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

	2019	2018
	RMB'000	RMB'000
Interim dividend declared and paid of HK$ Nil per ordinary share (2018: HK $6.85 cents per ordinary share)	**-**	48,572

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB Nil).

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

The Directors did not recommend the payment of a dividend in respect of the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back in 2019, China recorded an annual GDP growth rate of 6.3%. Affected by various factors such as the slowdown of China's economic growth and a decline in consumer demand, the sales volume in the automobile market dropped and the automobile industry was under greater pressure. According to China Association of Automobile Manufacturers' statistics, approximately 25.7 million and approximately 25.8 million of vehicles were produced and sold respectively in China in 2019, a decrease of approximately 7.5% and approximately 8.2% year-on-year respectively. Out of those vehicles, a total of approximately 8.4 million China's branded passenger vehicles were sold, a decrease of approximately 15.8% year-over-year, accounting for approximately 39.2% of the total passenger vehicle sales. The market share of the China branded passenger vehicles decreased by approximately 2.9% over the same period of the previous year. In terms of new energy vehicles, approximately 1.2 million and 1.2 million of new energy vehicles were produced and sold in 2019 respectively, a decrease of approximately 2.3% and 4.0% respectively over the same period of the previous year.

During the year ended 31 December 2019, China's automobile industry stuck in the doldrums, where both the production and the sales of vehicles had sunk as compared to last year. Affected by the switch of China VI vehicle emission standard in some regions and the diminishing new energy vehicle subsidies, a majority of automobile manufacturers had opted for axing prices to promote sales and destock. Yet, along with 'price promotion' or other factors, the market still saw no signs of a sales recovery amid the unchanged wait-and-see sentiment among consumers.

Due to the slump in the automobile industry, the Chinese government introduced different policies to drive the growth in the automobile market in 2019. Among them, the "Implementation Plan for Further Optimising Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market (2019)" (《進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案(2019 年)》) focused on the automobile consumption field and proposed measures including to promote the scrapping of old vehicles, optimise the subsidies for new energy vehicles, promote the upgrading of rural vehicles, accelerate the prosperity of the used car market, relax the restrictions on pickup trucks entering cities, and to optimise local governments' motor vehicle management. Through various measures in place, the automobile consumption can be boosted and residents' travel needs can be better satisfied. Since April 2019, the Chinese government has reduced the current value added tax rate for the manufacturing and other industries from 16% to 13%. The lower value added tax rate means a reduction in costs, which has greatly benefitted the vehicle prices.

BUSINESS REVIEW

The Group is principally engaged in the design, development, production and sales of cylinder blocks, as well as cylinder heads and certain cylinder block components, to automobile manufacturers and engine manufacturers in China. 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.

The Group primarily manufacture 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, primarily including main bearing caps and flywheels. The following table sets forth the revenue and sales volume by segment and major product type for the year ended 31 December 2019 and 2018:

	For the year ended 31 December					
	2019			2018		
	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						
Cylinder blocks for passenger vehicles	**48,009**	**13.5**	**58,155**	155,438	25.5	217,023
Cylinder blocks for commercial vehicles	**180,633**	**50.9**	**180,038**	285,238	46.7	249,725
Cylinder blocks for industrial vehicles	**49,896**	**14.1**	**46,148**	61,178	10.0	56,805
Subtotal	**278,538**	**78.5**	**284,341**	501,854	82.2	523,553
Cylinder heads	**60,319**	**17.0**	**107,639**	73,745	12.1	127,095
Ancillary cylinder block components	**16,192**	**4.5**	**709,282**	35,135	5.7	2,794,656
Total	**355,049**	**100.0**		610,734	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. Revenue from sales of cylinder blocks for passenger vehicles decreased from approximately 25.5% of our total revenue from cylinder block sales for the year ended 31 December 2018 to approximately 13.5% for the year ended 31 December 2019. Sales volume of cylinder blocks for passenger vehicles decreased approximately 73.2% from approximately 217,000 units for the year ended 31 December 2018 to approximately 58,000 units for the year ended 31 December 2019. The decrease was mainly due to a decrease in demands from our customers as the automobile market is in downturn and the Group has decreased the supply of the products to several customers which are over our credit limits and aged over 180 days.

During the year ended 31 December 2019, the Group has mass production of cylinder block for passenger vehicles, G501, which can meet China VI standards. The G501 cylinder block contributed a revenue of approximately RMB16.8 million for the year ended 31 December 2019 as compared with a revenue of approximately RMB2.6 million. The Group expected that G501 cylinder block will be one of our major products in 2020 and the demands will be increased as well.

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. Revenue from sales of cylinder blocks for commercial vehicles increased from approximately 46.7% of total revenue from sales of cylinder blocks for the year ended 31 December 2018 to approximately 50.9% for the year ended 31 December 2019. Sales volume of cylinder blocks for commercial vehicles decreased approximately 27.9% from approximately 250,000 units for the year ended 31 December 2018 to approximately 180,000 units for the year ended 31 December 2019. The decrease was mainly due to decrease in demands from our customers as the automobile market is in downturn.

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. Revenue from sales of cylinder blocks for industrial vehicles increased from approximately 10.0% of total revenue from sales of cylinder blocks for the year ended 31 December 2018 to approximately 14.1% for the year ended 31 December 2019. Sales volume of cylinder blocks for industrial vehicles decreased approximately 18.8% from approximately 57,000 units for the year ended 31 December 2018 to approximately 46,000 units for the year ended 31 December 2019. The decrease was mainly due to decrease in demands from customers.

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 China. Sales volume of cylinder heads decreased approximately 15.3% from approximately 127,000 units for the year ended 31 December 2018 to approximately 108,000 units for the year ended 31 December 2019. Such decrease was as a result of decrease in demand on 493 series of cylinder heads.

Tapping into the Lightweight Automobile Market through Merger and Acquisition and Investments

At present, there is a huge potential for the development of lightweight materials in the automobile industry. According to China's automobile lightweight technology roadmap and development goals, the weight of automobiles produced in China needs to be reduced by 10% compared with 2015 by 2020; and by 2025, it is expected that the weight will be further reduced by 20% from 2015. In November 2019, the Group and Saint Jean Industries S.A.S. ("**Saint Jean**"), a French company, signed a cooperative agreement ("**Cooperative Agreement**"), pursuant to which the Group agreed to acquire or procure a subsidiary to acquire 10.7% equity interests of Saint Jean Automotive System (Changshu) Co., Ltd* (聖讓汽車系統(常熟)有限公司)("**Saint Jean Changshu**") for a consideration of EUR 5.0 million. Saint Jean has invested in the newly established production line of lightweight products in the factory of Saint Jean Changshu (the "**Changshu Factory**"). The Changshu Factory is expected to commence production of automobile chassis parts and components in 2021, with the production volume reaching 2 million units or more by 2025.

The Group cooperated with Saint Jean, primarily considering that it is an international supplier of products including, among others, chassis, engines and wheels, with production sites in the United States, Europe and Asia, a team of over 2,500 employees, and major international brand automaker customers. The Changshu factory mainly applies "COBAPRESS", Saint Jean's core aluminum casting and forging technology, to produce roughcast for automobile chassis parts and components. This technology allows the parts to be lightweight with the casting technology and of high strength with the forging technology. It is now mainly used in the mid-to-high-end and new energy vehicle markets. Since the Changshu factory only has the capability to produce roughcast, the products still need to be processed before being provided to customers. Therefore, with the cooperation between the Company and Saint Jean, the roughcast produced by the Changshu factory can be processed at the production facilities of the Company, bringing a new business to the Company and opening the channel for the Company to tap into the lightweight automobile market.

As at 31 December 2019, the Group paid EUR3 million (equivalent to RMB23.4 million) to Saint Jean. Currently, the necessary transfer procedures are still pending to completion the transaction.

Cooperating with International Giants to Expand the Market

In the second half of 2019, having successfully won a spot on the list of suppliers of DEUTZ AG ("**DEUTZ AG**"), the Group has become the sole supplier of DEUTZ AG for the procurement of cylinder blocks and cylinder heads in Asia. It is expected that the Company will start to supply 2.9L and 6.1L mechanic cylinder blocks and cylinder heads to DEUTZ AG by the end of 2020. DEUTZ AG is one of the world's leading manufacturers of innovative drive systems. Its products are sold in more than 130 countries / regions around the world and mainly used in diesel, gas and electric drivetrain systems for construction equipment, agricultural machinery, commercial vehicles, railway vehicles and other applications. Besides, in 2019, DEUTZ AG also produced engines with Sany Heavy Industry under a joint venture, in order to meet the demand for non-road vehicle engines. Through this cooperation, the Group can extend its reach to the industrial vehicle market and diversify its sales in view of over-reliance on the sales of commercial and passenger vehicles.

Production Facilities and New Products and Research and Development

All production facilities of the Group are located in Shenzhou City, Hebei Province, the PRC. As at 31 December 2019, the Group owned and operated a total of 3 precision casting lines and 18 mechanical processing lines (including 14 for cylinder blocks, 3 for cylinder heads and 1 for other ancillary cylinder block components).

During the year ended 31 December 2019, the Group invested in 4 mechanical processing lines (i.e. 3 cylinder blocks and 1 cylinder head), which meet the new China VI emission standards. It is expected that there can be mass production for new products in 2020. The investment costs of these 4 production lines were around RMB39.0 million.

In addition, the Group is building 8 new mechanical processing lines and a precision casting lines by using the renovation of the existing production line or investing a new production line. Most of the new production lines can be completed before end of 2020. After completion of the 8 processing lines, the Group will enhance its production efficiency and provide over 6 new products, especially for cylinder blocks for industrial and passenger vehicles.

FINANCIAL REVIEW

Revenue

Revenue decreased by 41.9% from RMB610.7 million for the year ended 31 December 2018 to RMB355.0 million for the year ended 31 December 2019. This decrease was primarily attributable to a decrease in revenue from sales of cylinder blocks, cylinder heads and cylinder block components. Such significant decrease was mainly affected by the downturn in the automotive industry.

Sales of Cylinder Blocks

Segment revenue from cylinder block sales decreased by 44.5% from RMB501.9 million for the year ended 31 December 2018 to RMB278.5 million for the year ended 31 December 2019, primarily attributable to a decrease in sales volume from approximately 524,000 units for the year ended 31 December 2018 to approximately 284,000 units for the year ended 31 December 2019 driven by decreased customer demand and tightening credit management of the Group.

Sales of Cylinder Heads

Segment revenue from cylinder head sales decreased by 18.2% from RMB73.7 million for the year ended 31 December 2018 to RMB60.3 million for the year ended 31 December 2019. This decrease was primarily due to decrease in demand from our customers. The sales volume of cylinder heads decreased from approximately 127,000 units for the year ended 31 December 2018 to approximately 108,000 units in the year ended 31 December 2019, primarily related to decreased sales of the 493 series of cylinder heads, which was consistent with the decreased sales of the same series of cylinder blocks during the year.

Sales of Ancillary Cylinder Block Components

Segment revenue from ancillary cylinder block components sales decreased by 53.9% from RMB35.1 million for the year ended 31 December 2018 to RMB16.2 million for the year ended 31 December 2019. This decrease was primarily attributable to a decrease in demand from our customers.

Gross Profit and Gross Profit Margin

Gross profit decreased by 54.9% from RMB190.1 million for the year ended 31 December 2018 to RMB85.7 million for the year ended 31 December 2019. This decrease was in line with decrease in revenue. The gross profit margin decreased from 31.1% for the year ended 31 December 2018 to 24.1% for the year ended 31 December 2019, such a significant decrease in gross profit margin was primarily due to an increase in usage of roughcast products which were provided by our customers for processing and production inefficiency as the demands decreased sharply.

Other Income

Other income decreased by 5.1% from RMB41.8 million for the year ended 31 December 2018 to RMB39.7 million for the year ended 31 December 2019. This decrease was primarily due to a decrease in government grants. The government subsidies related to the expansion of the production facilities and purchase of new production equipment which are recorded as deferred income and amortised during the year.

Selling Expenses

Selling expenses decreased by 50.0% from RMB21.8 million for the year ended 31 December 2018 to RMB10.9 million for the year ended 31 December 2019. The decrease was primarily due to (i) a decrease in transportation expenses incurred in relation to delivery of products to the customers due to decrease sales and (ii) a decrease in provision for warranty during the year because the Group enhanced its quality control procedures as well as products quality.

Administrative Expenses

Administrative expenses decreased by 7.6% from RMB74.5 million for the year ended 31 December 2018 to RMB68.8 million for the year ended 31 December 2019, primarily due to (i) a decrease in research and development costs of RMB8.5 million to RMB13.4 million for the year ended 31 December 2019 as the Group had a significant investment in research and development activities in relation to China VI standard in previous year and the Group is ready to promote China VI standard products in this year; (ii) a decrease in listing and professional fee of RMB1.9 million to nil for the year ended 31 December 2019; and (iii) stringent cost control measures adopted by the Group, which was offset by an increase in impairment loss on trade receivable of RMB12.0 million for the year ended 31 December 2019.

Finance Costs

Finance costs decreased by 2.4% from RMB10.9 million for the year ended 31 December 2018 to RMB10.7 million for the year ended 31 December 2019, primarily due to a decrease in bank loans balance which partially offset by an increase in using of the discounting bills and factoring for financing.

Income Tax Expenses

Income tax expenses decreased by 78.2% from RMB22.3 million for the year ended 31 December 2018 to RMB4.9 million for the year ended 31 December 2019, primarily due to a decrease in profits before taxation for the year ended 31 December 2019. The effective tax rate decreased from 17.9% for the year ended 31 December 2018 to 13.9% for the year ended 31 December 2019, primarily due to a withholding tax in relation to the retained profits to be distributed by a subsidiary of the Group of approximately RMB4.9 million was recognized for the year ended 31 December 2018 as no such withholding tax was provided for the year ended 31 December 2019.

Profit for the Year

As a result of the foregoing, the profit for the year decreased by 70.6% from RMB102.3 million for the year ended 31 December 2018 to RMB30.1 million for the year ended 31 December 2019. The net profit margin decreased from 16.8% for the year ended 31 December 2018 to 8.5% for the year ended 31 December 2019, which was mainly attributable to a decrease in gross profit margin.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations are primarily financed by cash generated from operating activities, net proceeds received from the global offering of the Company completed on 5 January 2018 (the "**Global Offering**") and bank and other borrowings. As of 31 December 2019 and 2018, the Group had cash and cash equivalents of RMB49.3 million and RMB170.0 million, respectively.

The Group monitors its cash flows and cash balance on a regular basis and seek 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 trade and bills receivables decreased by 13.9% from RMB293.8 million as at 31 December 2019 to RMB253.0 million as at 31 December 2019, primarily due to decrease in revenue. The trade and bills receivables turnover days increased from 168 days as at 31 December 2018 to 204 days as at 31 December 2019. Such increase was resulted from the delay in settlement by certain customers due to the downturn in the automotive industry. The Group will strengthen customer credit risk management to guard against the increase in impairment loss on trade receivables. The impairment losses on trade receivables was increased from RMB0.7 million as at 31 December 2018 to RMB12.7 million as at 31 December 2019, such increase was primarily due to an increase in expected loss rate.

Trade Payables

The trade payables remained stable at approximately RMB103.8 million and RMB102.4 million as at 31 December 2018 and 2019, respectively. The trade payables turnover days increased from 122 days as at 31 December 2018 to 138 days as at 31 December 2019.

Bank and Other Loans

The bank and other loans decreased from approximately RMB209.4 million as at 31 December 2018 to approximately RMB120.9 million as at 31 December 2019, primarily due to the Group used the IPO proceeds to repay the bank loans. As at 31 December 2019, bank and other loans in the amounts of approximately RMB120.9 million (2018: RMB 149.4 million) were pledged by property, plant and equipment, right-of-use assets and trade and bills receivables of the Group, the aggregate carrying amount of which such assets was approximately RMB179.7 million (2018: RMB140.2 million).

All bank and other loans as at 31 December 2019 and 31 December 2018 were denominated in RMB at fixed or floating interest rate. The following table sets forth the amount of indebtedness of the Group as at the date indicated:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Repayment Schedule		
Bank loans		
Within 1 year	**120,920**	127,000
Other loans		
Within 1 year	**-**	82,400
Total borrowings	**120,920**	209,400

Gearing Ratio

The gearing ratio decreased from 23.1% as at 31 December 2018 to 12.9% as at 31 December 2019, such decrease was a result of a decrease in bank loans and other borrowings of RMB88.5 million.

Gearing ratio equals total debt divided by total equity as at the end of the year. Total debt includes all interest-bearing bank and other loans.

Capital Expenditure

For the year ended 31 December 2019, the capital expenditure was RMB92.6 million (2018: RMB87.0 million). The capital expenditure incurred for the year ended 31 December 2019 primarily related to the building 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 2019, the capital commitments of the Group in respect of property, plant and equipment and land use rights contracted amounted for RMB37.8 million (2018: RMB6.8 million).

Contingent liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities or guarantees (2018: RMB Nil).

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB, 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 RMB 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

Saved as disclosed in this announcement, the Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2019.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2019, the Group had total of 747 employees (2018: 861 employees). For the year ended 31 December 2019, the Group has incurred a total staff costs of approximately RMB63.5 million (2018: RMB69.0 million), representing a decrease of approximately 8.0% as compared with those for the year ended 31 December 2018, which was a result of decrease in our production.

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

Due to the downturn in the automobile industry and performance of the Group, the executive Directors agreed to waive part of director's salary for the year ended 31 December 2019 and agreed to receive the director's salary of RMB40,000 per annum with effect from 1 January 2019.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 5 January 2018. The net proceeds from the Company's issue of new shares in the Global Offering amounted to approximately RMB264.7 million. On 24 November 2019, the Company has resolved to change the use of net proceeds of the initial public offering. Details of the revised allocation of the change in use of net proceeds are set out as follows:

Designated use set forth in the prospectus of the Company dated 19 December 2017	%	Original amount of net proceeds from the Global Offering allocated *RMB'000*	Reallocation of unutilized net proceeds as at 24 November 2019 *RMB'000*	Revised use of net proceeds from the Global Offering *RMB'000*	Actual use of net proceeds as at 31 December 2019 *RMB'000*	Unutilised net proceeds as at 31 December 2019 *RMB'000*
Optimisation of the smart manufacturing process	43.3	114,600	(67,144)	47,456	27,456	20,000*
Purchase of equipment and other enhancements to strengthen collaboration with third-party industry partners	8.5	22,497	(22,497)	-	-	-
Repayment of short-term borrowings	16.3	43,141	40,000	83,141	83,141	-
Construction of new mechanical processing lines and purchase of additional machinery and equipment	15.1	39,964	-	39,964	39,964	-
Enhancement of research and development capabilities	12.0	31,760	-	31,760	31,760	-
Working capital and general corporate use	4.8	12,704	11,641	24,345	24,345	-
Settlement of the consideration under the Cooperative Agreement	-	-	38,000	38,000	38,000	-
	100.0	264,666	-	264,666	244,666	20,000

* The Group expected to fully use the proceeds on or before end of 2020.

For more details on change in use of unutilised net proceeds, please refer to the related announcements of the Company dated 24 November 2019.

As at 31 December 2019, the unused balance of the proceeds from the Global Offering of approximately RMB20.0 million was placed into short-term demand or time deposits.

As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds.

FUTURE PROSPECTS

The Chinese economy is moving from the high-speed growth stage to the high-quality development stage, while the automobile market is in the period of new and old kinetic energy conversion and structural efficiency adjustment. The Group expects that in 2020, the automobile market will have no significant changes but will continue to progress well. The Group still adheres to customer-oriented and technology-oriented strategies, continuously improving its competitiveness and providing high-quality services for traditional car companies. At the same time, the Group is gradually developing support measures for new energy vehicles while accurately grasping market trends, and enhancing production efficiency through internal technological transformation.

Besides, while the precision processing market is one of the auto spare parts self-supply sectors that large-scale automakers have withdrawn from, their exit from the market has in return created a high potential for the Company to expand its market share. With the slowing down in the automobile market, plenty of large-scale automakers have changed their business models to into an asset-light business model, by outsourcing their non-core businesses or cooperating with professional manufacturers under a profit-sharing model, in order to cut their own investments and costs, and boost their profitability. When the Group expects to seize every opportunity, in 2020, the Company will push forward its in-depth cooperation with large-scale automakers for, including but not limited to, establishing a sales cooperation platform or providing comprehensive outsourcing services, through which the Company will deliver more diversified and comprehensive products and services for the purpose of growing its revenue.

MAJOR SUBSEQUENT EVENTS

The outbreak of Coronavirus Disease 2019 ("**COVID-19**") in China since early 2020 have brought about uncertainties in the Group's operating environment. A number of provinces in the PRC have taken emergency public health measures and various actions to prevent the spread of the COVID-19.

To the best of the Directors' knowledge and belief, the outbreak of the COVID-19 has caused, among others, (i) temporary suspension of work in the production facilities of the Group due to the shortage of workforce; (ii) delay in delivery of raw materials to the Group due to the disruption to the local logistics network; and (iii) extensive disruption to the normal operation of the businesses in the PRC, including most of our customers i.e. automobile manufactures and engine manufactures, and thereby may affect the Group's sales. The Group will closely monitor the development of the epidemic situation, timely evaluate and actively respond to the impact of the epidemic situation to the Group's business operations and financial conditions. If the impact is subsequently predicted to be significant and may affect the financial results and operation of the Group, an announcement will be published in due course.

Save as disclosed above, there are no major subsequent events to 31 December 2019 which would materially affect the Group's operating and financial performance as of the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2019 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and protect 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**") of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2019, the Company has fully complied with the Code Provisions, except for the following deviations.

Pursuant to code provision A.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 2019. Our Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors' securities transactions throughout the year ended 31 December 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholder's entitlement to attend and vote at the annual general meeting of the Company to be held on 29 May 2020 ("**AGM**"), the register of members of the Company will be closed from 26 May 2020 to 29 May 2020, 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 share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 25 May 2020, being the business day before the first day of closure of the register of members.

AUDITOR

KPMG was appointed as the auditor for the financial statements of the Group prepared in accordance with the IFRSs for the year ended 31 December 2019. The figures in respect of the Group's financial statements set out in this announcement are consistent with those in the financial statements which have been audited by KPMG.

ANNUAL GENERAL MEETING

The AGM will be held on 29 May 2020. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the management and external auditor of the Company has reviewed 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 2019.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2019 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 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and 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, 31 March 2020

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. Wei Anli, Mr. Ren Keqiang and Mr. Yu Chun Kau, as independent non-executive Directors.

* *for identification purposes only*