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 2022

FINANCIAL HIGHLIGHTS			
	Year ended 31 December		
	2022	2021	Change
Revenue (RMB'000)	**600,487**	679,763	(11.7)%
Gross Profit (RMB'000)	**97,466**	118,220	(17.6)%
Gross profit margin	**16.2%**	17.4%	(1.2)%
Profit for the year (RMB'000)	**20,412**	36,570	(44.2)%
Net profit margin	**3.4%**	5.4%	(2.0)%
Basic and diluted earnings per share (RMB)	**0.026**	0.046	

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 2022 (the "**Year**") together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
*(Expressed in Renminbi ("**RMB**"))*

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	3	**600,487**	679,763
Cost of sales		**(503,021)**	(561,543)
Gross profit	3(b)	**97,466**	118,220
Other income	4	**23,202**	25,666
Selling expenses		**(10,539)**	(7,551)
Administrative expenses		**(72,889)**	(77,683)
Impairment loss on trade receivables	5(c)	**(5,833)**	(10,190)
Profit from operations		**31,407**	48,462
Finance costs		**(8,249)**	(6,447)
Profit before taxation	5	**23,158**	42,015
Income tax	6	**(2,746)**	(5,445)
Profit for the year attributable to equity shareholders of the Company		**20,412**	36,570
Earnings per share			
Basic and diluted (RMB)	7	**0.026**	0.046
Profit for the year		**20,412**	36,570
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		**2,097**	(1,008)
Total comprehensive income for the year attributable to equity shareholders of the Company		**22,509**	35,562

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in RMB)

	Note	***2022***	*2021*
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**829,741**	760,185
Right-of-use assets		**106,385**	108,653
Deferred tax assets		**14,955**	15,629
Other non-current assets		**38,730**	36,749
		989,811	921,216
Current assets			
Inventories		**273,057**	239,603
Trade receivables, other receivables and prepayments	8	**317,346**	309,296
Prepaid income tax		**12,242**	11,551
Cash at bank and on hand		**11,550**	30,009
		614,195	590,459
Current liabilities			
Trade and other payables	9	**339,989**	327,289
Bank loans	10(a)	**233,269**	160,000
Lease liabilities		**276**	65
Provision for warranties		**5,170**	2,131
		578,704	489,485
Net current assets		**35,491**	100,974
Total assets less current liabilities		**1,025,302**	1,022,190
Non-current liabilities			
Bank loans		**2,177**	-
Deferred income		**33,401**	39,967
Lease liabilities		**71**	-
Deferred tax liabilities		**5,121**	5,121
Provision for warranties		**-**	2,906
		40,770	47,994
NET ASSETS		**984,532**	974,196
CAPITAL AND RESERVES			
Share capital		**66,425**	66,425
Reserves		**918,107**	907,771
TOTAL EQUITY		**984,532**	974,196

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 2 May 2017 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 January 2018. The Group are 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 amendments to 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 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 2022 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 2023 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 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 Group has applied the amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use* to these financial statements for the current accounting period.

The amendment prohibits an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss.

During the year ended 31 December 2022, the revenue from selling items produced before that asset is available for use is RMB15.0 million.

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:

	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of cylinder blocks	**482,462**	522,982
Sales of cylinder heads	**113,820**	151,119
Sales of ancillary cylinder block components	**4,205**	5,662
	600,487	679,763

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 2022 and 2021. 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 2022 and 2021 is set out below:

	2022			
	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	**482,462**	**113,820**	**4,205**	**600,487**
Reportable segment gross profit/(loss)	**82,434**	**15,403**	**(371)**	**97,466**

	2021			
	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	522,982	151,119	5,662	679,763
Reportable segment gross profit/(loss)	89,570	29,506	(856)	118,220

(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

	2022 **RMB'000**	2021 RMB'000
Government grants (including amortisation of deferred income)	**22,762**	23,859
Interest income	**242**	644
Net (loss) / gain on disposal of property, plant and equipment	**(126)**	78
Others	**324**	1,085
	23,202	25,666

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2022 **RMB'000**	2021 RMB'000
Interest on bank loans	**8,048**	6,380
Bank charges and others	**188**	58
Interest on lease liabilities	**13**	9
	8,249	6,447

No borrowing costs have been capitalised for the year ended 31 December 2022 (2021: RMB Nil).

(b) Staff costs#

	2022 **RMB'000**	2021 RMB'000
Salaries, wages and other benefits	**71,113**	77,266
Contributions to defined contribution retirement plan	**4,014**	4,140
	75,127	81,406

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. During the year ended 31 December 2021, the majority of the obligation to the defined contribution retirement schemes were exempted by local government authorities considering the effect of COVID-19 outbreak. In 2022, the local government authorities did not grant such exemption.

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

	2022 **RMB'000**	2021 RMB'000
Depreciation charge		
- owned property, plant and equipment	**85,852**	64,239
- right-of-use assets	**2,861**	2,805
Impairment losses on trade receivables	**5,833**	10,190
Short-term leases charges	**265**	268
Provision for warranties	**4,248**	3,429
Auditors' remuneration	**2,000**	2,100
Research and development costs	**21,129**	24,973
Cost of inventories[#]	**503,021**	561,543

[#] Cost of inventories includes RMB124,676,000 (2021: RMB109,704,000) 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:

	2022 **RMB'000**	2021 RMB'000
Current taxation - PRC Corporate Income Tax		
Provision for the year	**2,072**	7,450
Deferred taxation		
Origination and reversal of temporary differences	**674**	(2,005)
	2,746	5,445

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

	2022 **RMB'000**	2021 RMB'000
Profit before taxation	**23,158**	42,015
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**6,193**	10,971
Tax effect of non-deductible expenses	**685**	198
Tax concessions	**(5,723)**	(8,208)
Tax effect of withholding tax in connection with the retained profits distributed by a subsidiary of the Group	**1,400**	2,300
Tax effect of unused tax losses not recognised	**191**	184
Actual tax expense	**2,746**	5,445

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 RMB20,412,000 (2021: RMB36,570,000) and the weighted average of 800,000,000 ordinary shares in issue during the year (2021: 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 2022 and 2021.

8. TRADE AND OTHER RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	**198,801**	196,672
Less: loss allowance	**(44,319)**	(38,486)
	154,482	158,186
Bills receivable	**102,604**	104,979
Financial assets measured at amortised cost	**257,086**	263,165
Other receivables and prepayments	**43,132**	42,263
Deductible value-added tax	**17,128**	3,868
	317,346	309,296

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

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:

	2022 RMB'000	2021 RMB'000
Less than 1 month	**100,339**	110,556
1 to 3 months	**108,324**	94,773
3 to 6 months	**46,156**	53,893
Over 6 months	**2,267**	3,943
	257,086	263,165

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

9. TRADE AND OTHER PAYABLES

	2022 **RMB'000**	2021 RMB'000
Trade payables	**250,803**	213,991
Bills payable	**-**	20,000
Payables for construction of property, plant and equipment	**60,203**	65,074
Payables for staff related costs	**6,386**	6,518
Contract liabilities	**6,755**	5,028
Others	**15,805**	16,621
Financial liabilities measured at amortised cost	**339,952**	327,232
Payables for other taxes	**37**	57
	339,989	327,289

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:

	2022 **RMB'000**	2021 RMB'000
Less than 1 month	**68,154**	92,371
1 to 3 months	**80,863**	58,442
3 to 6 months	**50,672**	44,654
Over 6 months	**51,114**	38,524
	250,803	233,991

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

	2022 **RMB'000**	2021 RMB'000
Balance at 1 January	**5,028**	4,652
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	**(5,028)**	(4,652)
Advances received from customers	**6,755**	5,028
Balance at 31 December	**6,755**	5,028

10. BANK LOANS

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

	2022	2021
	RMB'000	RMB'000
Bank loans		
Secured by property, plant and equipment and right-of-use assets	**220,970**	160,000
Secured by bills receivable	**9,864**	-
	230,834	160,000
Add: current portion of long-term bank loans	**2,435**	-
	233,269	160,000

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

	2022	2021
	RMB'000	RMB'000
Secured by property, plant and equipment	**4,612**	-
Less: current portion of long-term bank loans	**(2,435)**	-
	2,177	-

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

	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	**40,608**	36,655
Right-of-use assets	**59,336**	51,521
Bills receivable	**9,864**	-
	109,808	88,176

(d) Certain of the Group's bank loans 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 loans would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2022, none of the covenants had been breached (2021: None).

11. DIVIDENDS

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

	2022 **RMB'000**	2021 RMB'000
Interim dividend declared of HK$1.7 cents per ordinary share (2021: HK$3.0 cents per ordinary share)	**12,173**	19,625

The directors of the Company did not propose a final dividend for the year ended 31 December 2022 (2021: RMB Nil).

The Board of directors of the Company resolved to declare an interim dividend of HK1.7 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK3.0 cents) to those shareholders whose names are on the register of members of the Company on 27 October 2022.

(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 the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2022, China was affected by the outbreak of the COVID-19 pandemic and faced inflation pressure in all major economies, amidst a complex international environment, China's economy experienced a slower-than-expected growth rate with only 3% growth in its gross domestic product (GDP) in 2022. In addition to the impact of the pandemic, the automobile industry in China was also affected by various factors such as the shortage of chips, power rationing and rising raw material prices, resulting in the automobile market in China hovering at a slower growth. According to the data published by the China Association of Automobile Manufacturers, in 2022, the volume of automobile production and sales in China reached 27.021 million units and 26.864 million units, respectively, representing a year-on-year increase of approximately 3.4% and 2.1%.

The sales volume of commercial vehicles registered a significant decrease in 2022, with the production volume and sales of commercial vehicles reaching 3.185 million units and 3.30 million units during the year ended 31 December 2022, respectively, representing a year-on-year decrease of 31.9% and 31.2%. Such decrease was mainly attributable to the excessive demand under previous policies of environmental protection and overload management, coupled with restrictions on production and life due to the impact of the pandemic, as well as impact of high oil prices. Nevertheless, the commercial vehicle sector generally believes that the commercial vehicle market will usher in a new round of policy adjustments in 2023. With the policy support and the transformation and upgrading of enterprises, new opportunities may arise in the commercial vehicle market in 2023. In respect of the development of the commercial vehicle market in 2023, the China Association of Automobile Manufacturers expects that the demand for commercial vehicles will bottom out in 2023, with annual sales expected to reach 3.8 million units, representing a year-on-year increase of 15%.

In 2022, in order to stabilise the economy, the PRC government has introduced a series of policies and measures at the national and local levels to promote automobile consumption, including the Opinions on Further Unleashing Consumption Potential and Promoting Sustained Recovery of Consumption《關於進一步釋放消費潛力促進消費持續恢復的意見》, the Reduction of Vehicle Purchase Tax on Certain Passenger Vehicles《關於減征部分乘用車車輛購置稅的公告》 and the Outline of Strategic Planning for Expanding Domestic Demand (2022-2035)《擴大內需戰略規劃綱要（2022－2035年）》. In particular, according to the Reduction of Vehicle Purchase Tax on Certain Passenger Vehicles《關於減征部分乘用車輛購置稅的公告》, car purchase tax will be reduced by half for passenger vehicles priced at no more than RMB300,000 (excluding value-added tax) and with engine displacements of two litres or less, which are purchased between 1 June 2022 and 31 December 2022. These policies have played an important role in supporting the stabilisation of the automobile market by expanding domestic demand in China and fully promoting the upgrading of consumption, as well as providing a persisting impetus for the long-term and stable development of the industry.

As the competition in the automobile industry intensifies rapidly, automobile component manufacturers must have synchronized development capabilities, processing technology and the ability to deliver large quantities in a timely manner to gain an advantage. The collaboration between automobile component enterprises and downstream automobile manufacturers and the mode of cooperation are of utmost importance, which are continuously being enhanced. In addition, with the full implementation of the road National VI emission standards and the introduction of the non-road National IV emission standards, the internal combustion engine industry will face more severe challenges in the field of energy conservation and emission reduction. In particular, under the guidance of the High-quality Development Plan for the Internal Combustion Engine Industry (2021~2035) 《內燃機產業高品質發展規劃（2021~2035）》(the "**Plan**"), internal combustion engines must fully meet a number of requirements such as energy security, dual carbon targets, emission standards, energy consumption regulations, and independent control of key technologies in the industry. The publication and implementation of the Plan will greatly promote the innovative development of the internal combustion engine industry in the PRC, as well as the development of new structures, new materials and new technologies to achieve the high strength, high efficiency, low noise and light weight of internal combustion engines.

New energy vehicles will remain the focus of the automobile industry in 2022, with sales of new energy passenger vehicles reaching 6.9 million units in 2022, representing an increase of 93.4% as compared with the corresponding period last year. Consumer acceptance of new energy vehicles is increasing, and more and more consumers are choosing plug-in hybrid electric ("**PHE**") vehicles as a more flexible transportation option. PHE vehicles are more economical than gasoline-powered vehicles, and represent an iterative computing upgrade based on electrification technology development, resulting in an improved driving experience and a continuous reduction in fuel consumption with the annual sales volume of its PHE vehicles even higher than that of pure electric vehicles. As new energy vehicles become more popular, Chinese automobile companies and auto parts manufacturers are expected to break through the monopoly of foreign companies in holding core technologies and components. These include integrated die-casting, air suspension by means of adjustable suspension, thermal management systems, etc., all of which are likely to bring opportunities for Chinese companies.

In addition, alternative energy sources are becoming increasingly important as electric vehicles cannot satisfy the commercial vehicle market. Hydrogen fuel is one of the alternative energy sources and is suitable for long-distance vehicles, railways and maritime transport. The importance of hydrogen as an internal combustion fuel is also growing. As many power system components are interchangeable, hydrogen fuels offer significant advantages in terms of compatibility and fleet modification. As hydrogen internal combustion engines and diesel engines are comparable in production costs and have similar performance, efficiency and durability characteristics, the use of hydrogen as an alternative to diesel is a good option.

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 the PRC. The Group works closely with its customers to provide a set of high-quality and customized products. The Group conducts manufacturing operations for the major products through a closely integrated cycle.

For the year ended 31 December 2022, revenue and profit of the Group amounted to approximately RMB600.5 million and approximately RMB20.4 million, representing a decrease of approximately 11.7% and approximately 44.2% as compared to the corresponding period in 2021, respectively. The decrease in revenue and profit of the Group was mainly attributable to the impact of the general economic environment, including the severe contraction of the commercial vehicle market, the continued reduction in demand for cylinders from individual customers due to the pandemic and the increase in raw material costs. However, the Group has made continuous efforts by actively exploring new customers and collaborating with existing customers in the development of new products, so as to diversify our customers and products and minimise our reliance on individual customers and products, thereby laying a foundation for our future development.

For the year ended 31 December 2022, the Group was principally engaged in the manufacturing of cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. The Group also manufactures cylinder heads as well as certain other structural components of cylinder blocks, 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 years ended 31 December 2022 and 2021:

	For the year ended 31 December					
	2022			2021		
	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	**144,923**	**24.1**	**202,198**	132,777	19.5	140,037
-commercial vehicles	**247,390**	**41.2**	**253,576**	322,689	47.5	310,673
-industrial vehicles	**90,149**	**15.0**	**63,744**	67,516	9.9	57,708
Subtotal	**482,462**	**80.3**	**519,518**	522,982	76.9	508,418
Cylinder heads	**113,820**	**19.0**	**194,487**	151,119	22.3	241,731
Ancillary cylinder block components and others	**4,205**	**0.7**	**104,370**	5,662	0.8	122,724
Total	**600,487**	**100.0**		679,763	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 increased from approximately 19.5% of the Group's total revenue for the year ended 31 December 2021 to approximately 24.1% for the year ended 31 December 2022, primarily due to a significant decrease in the revenue of commercial vehicles. Sales volume of cylinder blocks for passenger vehicles increased by approximately 44.3% from approximately 140,000 units for the year ended 31 December 2021 to approximately 202,000 units for the year ended 31 December 2022. Such increase was primarily due to the Group's mass production project of plug-in hybrid cylinder blocks and cylinder heads with BYD Co., Ltd ("**BYD**") during the year ended 31 December 2022 with a sales volume of approximately 74,000 units, contributing approximately RMB34.8 million to the Group's revenue. At the same time, China FAW's demand for the Group's products further increased, creating more sales revenue for the Group. However, such increase was affected by the decrease in demand from one of the Group's major customers.

The Group expects the demand for new energy vehicles will maintain a rapid growth in 2023, thus driving the sales volume of the Group's plug-in hybrid cylinder blocks. After collaborating with BYD for the first time in 2022, the Group expects such customer's demand for the Group's products will further increase in 2023, and it is very likely to see further collaboration for the development of new products.

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 decreased from approximately 47.5% of the total revenue for the year ended 31 December 2021 to approximately 41.2% for the year ended 31 December 2022. Meanwhile, sales volume of cylinder blocks for commercial vehicles decreased by approximately 18.4% from approximately 311,000 units for the year ended 31 December 2021 to approximately 254,000 units for the year ended 31 December 2022. Such decrease in the cylinder blocks for commercial vehicles was primarily attributable to the decline in demand for commercial vehicles, which led to a reduction in customer purchases of the product. Despite the decline in sales volume, the Group still outperformed the overall market, which was mainly due to the Group's quality customers, who are competitive in the market.

There are signs of increased demand for the cylinder blocks for commercial vehicles from the Group's customers from 2023 onwards, while self-owned brand commercial vehicle companies in China have actively deployed overseas expansion. Such news has a positive impact on the Group's business. Currently, the Group is undergoing negotiation with quality overseas customers for developing new products to be manufactured in China and exported to the local market, and is also undergoing negotiation with the world's largest independent engine manufacturer for producing cylinder blocks and cylinder heads, so as to meet the growing demands in domestic and overseas markets. The Group has always believed that its technology and product quality can meet international standards and through these potential collaborations, the Group will be able to tap into more overseas markets.

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 9.9% of total revenue from sales of cylinder blocks for the year ended 31 December 2021 to approximately 15.0% for the year ended 31 December 2022. Meanwhile, sales volume of cylinder blocks for industrial vehicles increased by approximately 10.5% from approximately 58,000 units for the year ended 31 December 2021 to approximately 64,000 units for the year ended 31 December 2022. Such increase was primarily attributable to the Group's further efforts on strengthening its product cooperation with Guangxi Yuchai Power Co., Ltd.* (廣西玉柴動力股份有限公司) by becoming its major supplier. Meanwhile, the products of the Group's cooperation with DEUTZ AG ("**DEUTZ AG**") have begun mass production since November this year, including three 2.9L cylinder blocks, 5.7L cylinder blocks and 6.1L cylinder blocks. Over 5,000 units of the products were sold throughout the year ended 31 December 2022.

In 2023, the Group will further cooperate with DEUTZ AG by exporting its products to DEUTZ AG's overseas production bases, which will be the first time that the Group sells its products overseas. On the one hand, this will demonstrate that the quality of the Group's products meets international standards, and on the other hand, it will open the way for the export of other products of the Group. The Group will continue to reach out to new customers and seek more room for development in nonroad business. Currently, the Group is undergoing negotiation for cooperation with a non-road forklift corporate to further expand the Group's customer base and product range.

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 by approximately 19.5% from approximately 242,000 units for the year ended 31 December 2021 to approximately 194,000 units for the year ended 31 December 2022. Such decrease was primarily attributable to the decrease in sales volume of the cylinder blocks for commercial vehicles, however, the demand for cylinder heads from BYD and DEUTZ AG continues to increase, partially offsetting the impact brought by the reduced demand for commercial vehicles.

Production Facilities

All production facilities of the Group are located in Shenzhou City, Hebei Province, the PRC. As at 31 December 2022, the Group owned and operated a total of 5 precision casting lines and 31 mechanical processing lines (including 24 for cylinder blocks, 5 for cylinder heads and 2 for other ancillary cylinder block components).

During the year ended 31 December 2022, the Group had been building 8 new mechanical processing lines and a precision casting line either through renovation of the existing production line or investing in a new production line, of which 6 mechanical processing lines have been completed and put into production, which are for the expansion of the existing model production. The remaining new mechanical processing lines and precision casting lines that have not yet been renovated or constructed are expected to be put into production in 2023.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately 11.7% from RMB679.8 million for the year ended 31 December 2021 to RMB600.5 million for the year ended 31 December 2022. This decrease was primarily attributable to decrease in revenue from sales of cylinder blocks and cylinder heads for commercial vehicles as the commercial vehicles markets are in downturn, which is partially offset by increases in revenue from sales of cylinder block and cylinder head for passenger vehicles and industrial vehicles as the some new products were launched and demands for these kinds of the products were increased.

Sales of Cylinder Blocks

Segment revenue from cylinder block sales decreased by approximately 7.7% from approximately RMB523.0 million for the year ended 31 December 2021 to approximately RMB482.5 million for the year ended 31 December 2022, primarily attributable to a decrease in average sales unit price from approximately RMB994.7 per unit for the year ended 31 December 2021 to approximately RMB928.7 per unit for the year ended 31 December 2022, even the sales volume increased from approximately 508,000 units for the year ended 31 December 2021 to approximately 520,000 units for the year ended 31 December 2022. Increase in sales volume were primarily attributing to the launching of the new products and the increase in demands for the cylinder block for passenger vehicles. However, the selling price of cylinder block for passenger vehicles was lower than the selling price of cylinder block for commercial vehicles.

Sales of Cylinder Heads

Segment revenue from cylinder head sales decreased by approximately 24.7% from approximately RMB151.1 million for the year ended 31 December 2021 to approximately RMB113.8 million for the year ended 31 December 2022. The sales volume of cylinder heads decreased from approximately 242,000 units for the year ended 31 December 2021 to approximately 194,000 units for the year ended 31 December 2022. This decrease was primarily due to decrease in demand in sales of cylinder heads for commercial vehicles due to the market downturn.

Sales of Ancillary Cylinder Block Components

Segment revenue from ancillary cylinder block components sales decreased by approximately 25.7% from approximately RMB5.7 million for the year ended 31 December 2021 to approximately RMB4.2 million for the year ended 31 December 2022. This decrease was primarily attributable to a decrease in supply of ancillary cylinder block components as the Group focused on profit sectors.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 17.6% from approximately RMB118.2 million for the year ended 31 December 2021 to approximately RMB97.5 million for the year ended 31 December 2022, primarily attributable to a decrease in revenue for the year ended 31 December 2022. The gross profit margin decreased from 17.4% for the year ended 31 December 2021 to 16.2% for the year ended 31 December 2022, primarily due to a decrease in average selling price of the cylinder blocks and an increase in raw material costs.

Other Income

Other income decreased by approximately 9.6% from approximately RMB25.7 million for the year ended 31 December 2021 to approximately RMB23.2 million for the year ended 31 December 2022. This decrease was primarily due to a decrease in government grants recognised. During the year ended 31 December 2022, the Group recognised government grants of approximately RMB22.8 million, as compared with government grants of approximately RMB23.9 million for the year ended 31 December 2021, in relation to the contribution of the Group in technological innovation.

Selling Expenses

Selling expenses increased by approximately 39.6% from approximately RMB7.6 million for the year ended 31 December 2021 to approximately RMB10.5 million for the year ended 31 December 2022, primarily attributable to an increase in traveling expenses and other expenses in relation to marketing activities.

Administrative Expenses

Administrative expenses decreased by approximately 6.2% from approximately RMB77.7 million for the year ended 31 December 2021 to approximately RMB72.9 million for the year ended 31 December 2022. The decrease in administrative expenses was attributable to a decrease in research and development costs of approximately RMB3.8 million to approximately RMB21.1 million for the year ended 31 December 2022.

Impairment loss on trade receivables

Impairment loss on trade receivables decreased by approximately 42.8% from approximately RMB10.2 million for the year ended 31 December 2021 to approximately RMB5.8 million for the year ended 31 December 2022, primarily attributable to the Group have made sufficient impairment loss on long aging trade receivables in past few years. The Group will closely monitor the repayment from our customers to reduce our loss.

Finance Costs

Finance costs increased by approximately 28.0% from approximately RMB6.4 million for the year ended 31 December 2021 to approximately RMB8.2 million for the year ended 31 December 2022, primarily due to an increase in average bank loan balances during the year.

Income Tax Expenses

Income tax expenses decreased by approximately 49.6% from approximately RMB5.4 million for the year ended 31 December 2021 to approximately RMB2.7 million for the year ended 31 December 2022 primarily due to decrease in operating profits of the Group. The effective tax rate decreased from approximately 13.0% for the year ended 31 December 2021 to approximately 11.9% for the year ended 31 December 2022, primarily due to the qualified research and development costs incurred that are entitled to an 100% additional tax deductible allowance.

Profit for the Year

As a result of the foregoing, the profit for the year decreased by approximately 44.2% from approximately RMB36.6 million for the year ended 31 December 2021 to approximately RMB20.4 million for the year ended 31 December 2022. The net profit margin decreased from 5.4% for the year ended 31 December 2021 to 3.0% for year ended 31 December 2022, which was mainly attributable to a decrease in gross profit margin as explained above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operation of the Group is primarily financed by cash generated from operating activities and bank loans. As of 31 December 2022 and 2021, cash at bank and on hand of the Group amounted to approximately RMB11.6 million and approximately RMB30.0 million, respectively.

The Group monitors its cash flows and cash 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 Receivables and Bills Receivable

The trade receivables and bills receivable decreased by approximately 2.3% from approximately RMB263.2 million as at 31 December 2021 to approximately RMB257.1 million as at 31 December 2022, primarily due to the Group made a further impairment loss of approximately RMB5.8 million for the year ended 31 December 2022 as the expected loss rate increased as at 31 December 2022. The trade receivables and bills receivable turnover days increased from 164 days as at 31 December 2021 to 181 days as at 31 December 2022. The Group will strengthen customer credit risk management to guard against the increase in impairment loss on trade receivables.

Trade Payables

The trade payables increased by approximately 17.2% from approximately RMB214.0 million as at 31 December 2021 to approximately RMB250.8 million as at 31 December 2022 primarily due to decrease in purchase of raw materials for production. The trade payables turnover days increased from 119 days as at 31 December 2021 to 166 days as at 31 December 2022, primarily attributable to the extension of settlement period of the purchase of raw material with our suppliers.

Bank Loans

The bank loans increased from approximately RMB160.0 million as at 31 December 2021 to approximately RMB235.4 million as at 31 December 2022 which were pledged by property, plant and equipment, right-of-use assets and bills receivable of the Group. The aggregate carrying amount of such pledged assets was RMB109.8 million (31 December 2021: RMB88.2 million).

All bank loans as at 31 December 2022 and 31 December 2021 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:

	2022 **RMB'000**	2021 RMB'000
Repayment Schedule		
Bank loans		
Within 1 year	**233,269**	160,000
1-2 years	**2,435**	-

Gearing Ratio

The gearing ratio was increased from approximately 16.4% as at 31 December 2021 to approximately 23.9% as at 31 December 2022, primarily attributing to an increase in bank loans of approximately RMB75.4 million for 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 bank and other loans.

Capital Expenditure

For the year ended 31 December 2022, the capital expenditure of the Group was approximately RMB163.2 million (2021: RMB115.3 million). The capital expenditure incurred for the year ended 31 December 2022 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 2022, the capital commitments of the Group in respect of property, plant and equipment contracted for amounted to approximately RMB20.5 million (31 December 2021: RMB33.3 million).

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities or guarantees (31 December 2021: Nil).

Fluctuation of Renminbi Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank 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. The Group currently has no hedging policy with respect to the foreign exchange risks, therefore, the Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2022.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 816 employees (31 December 2021: 749 employees). For the year ended 31 December 2022, the Group has incurred total staff costs of approximately RMB75.1 million (year ended 31 December 2021: RMB81.4 million), representing a decrease of approximately 7.7% as compared with those for year ended 31 December 2021.

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

Waiver of directors' remuneration

The executive Directors agreed to waive part of director's salary for the year ended 31 December 2022 and agreed to receive the director's salary of RMB40,000 per annum with effect from 1 January 2022.

FUTURE PROSPECTS

The management of the Group has always monitored the development of the industry and adjusted its strategy in line with the development of the industry, including the successful introduction of BYD's partnership on cylinder blocks and cylinder heads for PHE vehicles. Given that the new energy vehicles and light-weight vehicles has become the development trend in the automobile market, the Group will pay more attention to product development or contracts in this area in the future, including leveraging the Company's accumulated experience and technology in casting to develop and invest in automotive integrated die-casting and subframe products. In addition, we will continue to track the development of the thermal management system and bring in partners to jointly develop the product when appropriate.

In respect of internal development of the Company, since July 2022, the Group has been restructuring the management teams of its major subsidiaries with the objective of strengthening internal management and enhancing operational efficiency through workforce restructuring and deployment, and at the same time, nurturing new management staff to pave the way for the future development of the Company. With the establishment of the new management team, the Company will take the additional vitality to work together to achieve the future development plans set by the Group.

At the beginning of 2023, the PRC government's readjusted pandemic prevention and control measure has facilitated the acceleration of full resumption of work and production in the industry. It is expected that PRC's infrastructure investment, real estate, tourism and transportation will soon enter normal development in 2023. All these factors are favourable to the production and sales of automobiles. It is expected that the automobile sales will maintain a stable growth in 2023. Therefore, the Group is confident and expects that there will be greater demand from customers in 2023, which in turn will increase the Group's revenue and improve its performance.

MAJOR SUBSEQUENT EVENTS

There are no major subsequent events to 31 December 2022 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 2022 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 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**") of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2022, 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 2022. 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 2022.

DIVIDEND

An interim dividend of HK$1.7 cents per share (2021: HK$3.0 cents) was paid on 16 December 2022, except for dividend payable to the controlling shareholder amounting to approximately HK$7.0 million which was recorded as other payables as at 31 December 2022.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

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 30 May 2023, the register of members of the Company will be closed from 25 May 2023 to 30 May 2023, 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, 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 24 May 2023, being the business day before the first day of closure of the register of members.

SCOPE OF WORK OF KPMG

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 2022 as set out in the 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 30 May 2023. 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 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 2022.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2022 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 2022 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 2023

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.