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

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2025)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

#### FINANCIAL SUMMARY

	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2024</b>	<b>2023</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
Major items of Consolidated Statement of Profit or Loss and Other Comprehensive Income			
<b>Revenue (RMB'000)</b>	<b>430,971</b>	341,929	<b>26.0%</b>
<b>Gross profit (RMB'000)</b>	<b>51,111</b>	50,359	<b>1.5%</b>
Gross profit margin	<b>11.9%</b>	14.7%	<b>(2.8ppt)</b>
<b>Profit for the period attributable to equity shareholders of the Company (RMB'000)</b>	<b>14,062</b>	11,980	<b>17.4%</b>
Net profit margin	<b>3.3%</b>	3.5%	<b>(0.2ppt)</b>
Basic and diluted earnings per share (RMB cent)	<b>1.76</b>	1.50	

The Board of Directors resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$1.5 cents per share).

#### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ruifeng Power Group Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”) and the unaudited consolidated statement of financial position of the Group as at 30 June 2024 which have been reviewed by the audit committee of the Company (the “**Audit Committee**”) together with the comparative figures for the same period of 2023 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>Revenue</b>	4	<b>430,971</b>	341,929
Cost of sales		<u>(379,860)</u>	<u>(291,570)</u>
<b>Gross profit</b>	4(b)	<b>51,111</b>	50,359
Other income	5	<b>11,946</b>	6,378
Selling expenses		<b>(4,069)</b>	(4,654)
Administrative expenses		<b>(39,745)</b>	(35,549)
Other gains and expenses	6	<u><b>3,158</b></u>	<u>1,553</u>
<b>Profit from operations</b>		<b>22,401</b>	18,087
Finance costs	7(a)	<u>(5,244)</u>	<u>(5,248)</u>
<b>Profit before taxation</b>	7	<b>17,157</b>	12,839
Income tax	8	<u>(3,095)</u>	<u>(859)</u>
<b>Profit for the period attributable to equity shareholders of the Company</b>		<u><b>14,062</b></u>	<u>11,980</u>
<b>Earnings per share</b>			
Basic and diluted (RMB cent)	9	<u><b>1.76</b></u>	<u>1.50</u>
<b>Profit for the period</b>		<b>14,062</b>	11,980
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements into presentation currency		<u>258</u>	<u>1,186</u>
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>		<u><b>14,320</b></u>	<u>13,166</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		838,016	838,377
Right-of-use assets		102,211	103,494
Deferred tax assets		20,403	20,113
Other non-current assets		39,571	39,291
		<u>1,000,201</u>	<u>1,001,275</u>
<b>Current assets</b>			
Inventories		314,948	273,116
Trade and other receivables and prepayments	10	363,235	319,333
Prepaid income tax		5,701	4,861
Cash at bank and on hand		66,904	40,555
		<u>750,788</u>	<u>637,865</u>
<b>Current liabilities</b>			
Trade and other payables	11	418,701	377,008
Interest-bearing borrowings	12	156,334	101,199
Provision for warranties		4,530	4,652
		<u>579,565</u>	<u>482,859</u>
<b>Net current assets</b>		<u>171,223</u>	<u>155,006</u>
<b>Total assets less current liabilities</b>		<u>1,171,424</u>	<u>1,156,281</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	12	144,000	142,325
Deferred income		24,847	27,499
Deferred tax liabilities		3,450	1,650
		<u>172,297</u>	<u>171,474</u>
<b>Net assets</b>		<u>999,127</u>	<u>984,807</u>
<b>Capital and reserves</b>			
Share capital		66,425	66,425
Reserves		932,702	918,382
<b>Total equity</b>		<u>999,127</u>	<u>984,807</u>

## 1 CORPORATE INFORMATION

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

## 2 BASIS OF PREPARATION

The unaudited interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Company and the Group but is extracted from the unaudited interim financial report.

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with the International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "**IASB**"). It was authorised for issue on 28 August 2024.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

The unaudited interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to develop an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2023 that is included in the unaudited interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in the audit report dated 28 March 2024.

### 3 CHANGES IN ACCOUNTING POLICIES

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

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

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

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

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

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales of cylinder blocks	342,600	271,472
Sales of cylinder heads	84,411	68,153
Sales of ancillary cylinder block components	3,960	2,304
	<u>430,971</u>	<u>341,929</u>

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

**(b) Segment reporting**

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

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

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sale has occurred for the six months ended 30 June 2024 and 2023. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2024 and 2023 is set out below.

	<b>Six months ended 30 June 2024</b>			
	<b>Cylinder blocks (Unaudited) RMB'000</b>	<b>Cylinder heads (Unaudited) RMB'000</b>	<b>Ancillary cylinder block components (Unaudited) RMB'000</b>	<b>Total (Unaudited) RMB'000</b>
Revenue from external customers recognised at a point in time	342,600	84,411	3,960	430,971
Reportable segment gross profit/(loss)	<u>50,146</u>	<u>2,186</u>	<u>(1,221)</u>	<u>51,111</u>
	<b>Six months ended 30 June 2023</b>			
	<b>Cylinder blocks (Unaudited) RMB'000</b>	<b>Cylinder heads (Unaudited) RMB'000</b>	<b>Ancillary cylinder block components (Unaudited) RMB'000</b>	<b>Total (Unaudited) RMB'000</b>
Revenue from external customers recognised at a point in time	271,472	68,153	2,304	341,929
Reportable segment gross profit	<u>45,694</u>	<u>3,254</u>	<u>1,411</u>	<u>50,359</u>

(ii) Geographic information

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

## 5 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (including amortisation of deferred income)	11,908	6,345
Interest income	38	33
	<u>11,946</u>	<u>6,378</u>

## 6 OTHER GAINS AND EXPENSES

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
(Impairment losses)/reversal of impairment on trade and other receivables	(1,220)	3,037
Rentals receivable from operating leases	1,971	–
Net gain/(loss) on sales of scrap materials	2,330	(1,428)
Net loss on disposal of property, plant and equipment	(38)	–
Others	115	(56)
	<u>3,158</u>	<u>1,553</u>

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	5,106	5,037
Finance charges and others	138	211
	<u>5,244</u>	<u>5,248</u>

No borrowing costs have been capitalised for the six months ended 30 June 2024 and 2023.



(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Salaries, wages and other benefits	46,054	37,830
Contributions to defined contribution retirement plan	2,649	2,564
	<u>48,703</u>	<u>40,394</u>

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

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

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

(c) Other items

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Depreciation charge		
– owned property, plant and equipment	51,651	49,312
– right-of-use assets	1,283	1,178
Operating lease charges of short-term leases	88	81
Provision for warranties	1,643	2,446
Research and development costs	11,198	11,069
Cost of inventories (Note)	379,860	291,570

*Note:*

Cost of inventories for the six months ended 30 June 2024 includes approximately RMB74,798,000 (six months ended 30 June 2023: RMB70,792,000) relating to staff costs, and depreciation, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

## 8 INCOME TAX

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

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	1,585	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,510	859
	<u>3,095</u>	<u>859</u>

*Notes:*

- (i) The Company was incorporated in the Cayman Islands and a subsidiary of the Group was incorporated in the British Virgin Islands (the “BVI”) which are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The Company and a subsidiary of the Group was incorporated in Hong Kong which are subject to Hong Kong Profits Tax according to the two-tiered profits tax rates regime for the year of assessment 2024/2025. The profits tax rate for the first HK\$2,000,000 of profits is taxed at 8.25%, and profits above that amount is subject to a tax rate of 16.5%. The provision for the Hong Kong Profits Tax for the Company and the subsidiary were calculated at the same basis for the period ended 30 June 2023.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25%. The provision for the PRC Corporate Income Tax for the Group’s subsidiaries were calculated at the same basis for the period ended 30 June 2023.

One of the Group’s subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2021 to 2023. The Group’s subsidiary is in the process of renewal its advanced and new technology enterprise recognition. The management of the Group is of the view that the application for renewal will be completed in 2024. Pursuant to the relevant tax regulations, the subsidiary is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, the subsidiary is also entitled to an additional tax deductible allowance calculated at 100% (six months ended 30 June 2023: 100%) of its qualified research and development costs incurred.

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to equity shareholders of the Company of approximately RMB14,062,000 (six months ended 30 June 2023: RMB11,980,000) and the weighted average of 800,000,000 ordinary shares (six months ended 30 June 2023: 800,000,000) in issue during the interim period.

### (b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2024 and 2023.

## 10 TRADE AND OTHER RECEIVABLES

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Trade receivables	247,232	213,720
Bills receivables	93,261	95,772
Less: loss allowance	<u>(40,191)</u>	<u>(38,971)</u>
Net trade and bills receivables	300,302	270,521
Non-trade receivables and prepayments	42,427	34,695
Deductible value added tax	<u>20,506</u>	<u>14,117</u>
	<u><u>363,235</u></u>	<u><u>319,333</u></u>

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

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

	At <b>30 June</b> <b>2024</b> <b>(Unaudited)</b> <b>RMB'000</b>	At 31 December 2023 (Audited) RMB'000
Within 1 month	<b>144,999</b>	129,044
1 to 3 months	<b>109,294</b>	108,044
3 to 6 months	<b>45,508</b>	33,088
Over 6 months	<b>501</b>	345
	<b>300,302</b>	270,521

## 11 TRADE AND OTHER PAYABLES

	At <b>30 June</b> <b>2024</b> <b>(Unaudited)</b> <b>RMB'000</b>	At 31 December 2023 (Audited) RMB'000
Trade payables	<b>296,521</b>	260,812
Bills payable	<b>36,000</b>	20,000
Payables for construction of property, plant and equipment	<b>59,738</b>	67,828
Payables for staff related costs	<b>9,059</b>	7,823
Contract liabilities	<b>5,344</b>	8,876
Payables for other taxes	<b>119</b>	257
Others	<b>11,920</b>	11,412
	<b>418,701</b>	377,008

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

	At <b>30 June</b> <b>2024</b> <b>(Unaudited)</b> <b>RMB'000</b>	At 31 December 2023 (Audited) RMB'000
Within 1 month	<b>127,517</b>	114,457
1 to 3 months	<b>64,891</b>	60,926
3 to 6 months	<b>77,766</b>	43,731
Over 6 months	<b>62,347</b>	61,698
	<b>332,521</b>	280,812

## 12 INTEREST-BEARING BORROWINGS

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
<b>Current</b>		
Secured bank loans by property, plant and equipment and right-of-use assets	86,146	84,202
Current portion of non-current secured bank loans by property, plant and equipment and right-of-use assets	<u>70,188</u>	<u>16,997</u>
	<u>156,334</u>	<u>101,199</u>
<b>Non-current</b>		
Secured bank loans by property, plant and equipment and right-of-use assets	214,188	159,322
Less: Current portion of non-current secured bank loans	<u>(70,188)</u>	<u>(16,997)</u>
	<u>144,000</u>	<u>142,325</u>

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

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Within 1 year or on demand	70,188	16,997
After 1 years but within 5 years	<u>144,000</u>	<u>142,325</u>
	<u>214,188</u>	<u>159,322</u>

As at 30 June 2024, the aggregate carrying amount of property, plant and equipment, right-of-use assets and bills receivables pledged for the Group's bank loans is approximately RMB144,679,000 (at 31 December 2023: RMB151,553,000).

## 13 DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend of the six months ended 30 June 2024. The Board resolved on 25 August 2023 that an interim dividend of HK\$1.5 cents per share for the six months ended 30 June 2023, absorbing a total amount of HK\$12,000,000 out of the share premium account of the Company, was distributed to the shareholders of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

China was facing increasing geopolitical tensions and trade protectionism, as global business environment became more complex and complicated. In the first half of 2024 (“2024H1”), China’s economy still managed to maintain a 5.0% growth, albeit the second quarter’s figure regressed to only 4.7%, described by outside observers as ‘lower than expected’. While the economy did experience some downward pressure, the growth of China’s economy was still higher than those of Europe and the United States.

According to the data released by the China Association of Automobile Manufacturers, development of China’s automobile industry in 2024H1 was steady and progressive, with the production and sales of automobiles reached 13.9 million units and 14.0 million units, representing a year-on-year increase of 4.9% and 6.1% respectively. In particular, new energy vehicle market performed particularly well in 2024H1, which had driven China’s automobile export business. During the first quarter of 2024, China’s auto exports officially surpassed Japan to become the world’s largest auto exporter. China has a rather short history in new energy vehicles development. However, it has, from scratches and one step at a time, transformed the first-mover advantage into an industry leading advantage, and has driven the global development of smart Internet new energy vehicles, all of which have brought all sorts of opportunities to automobile companies and related supporting enterprises in the automobile industry. In 2024H1, China’s domestic new energy vehicle production and sales reached 4.9 million units and 4.9 million units, representing an increase of 30.1% and 32.4% year-on-year respectively, with a market share as compared with the overall automobile market in China reaching 35.2%.

With the rapid development of the automobile industry, the future development trend of automobile engines will focus on improving energy efficiency, reducing emissions, intelligence and electrification. Conventional combustion engines will continue to undergo optimisation to improve energy efficiency and reduce emissions, while electrification and hybrid technologies will become important directions for development.

- **Improved energy efficiency and reduced emissions:** The future development of automobile engines will focus on reducing fuel consumption and emissions by improving combustion technology, adopting more efficient combustion chamber designs, and optimising ignition and exhaust systems. In addition, through the introduction of advanced electronic control systems, precise control of engine performance has been realised, and energy efficiency was further enhanced.
- **Intelligence:** The engine of future will be more intelligent, achieving real-time monitoring and optimisation of engine performance through the integration of advanced sensors and control systems. This includes intelligent diagnostic systems that are able to monitor the operating status of the engine in real time, predict and prevent potential problems, and thus improve the overall reliability and safety of the vehicle.

- **Electrification and hybrid technology:** With advancement of battery technology, electric vehicles and hybrid vehicles are destined to become the mainstream of the automobile market in the future. These vehicles use an electric motor or a combination of an electric motor and an internal combustion engine to provide cleaner and more efficient energy usage. In the future, with further development of battery technology, pure electric vehicles will become the mainstream, reducing reliance on fossil fuels and enabling more environmentally friendly modes of transportation.

To sum up, the future of automobile engines will be of a diversified development trend, including not only optimisation and upgrading of traditional internal combustion engines, but also the transformation to electrification and intelligence. Together, these changes will drive the automobile industry towards a greener, more efficient and smarter future.

## **BUSINESS REVIEW**

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

For the six months ended 30 June 2024, revenue and profit of the Group amounted to approximately RMB431.0 million and approximately RMB14.1 million, representing an increase of approximately 26.0% and 17.4% as compared to the corresponding period in 2023, respectively. The increase in revenue and profits of the Group were mainly attributable to adjustments to the Group's market strategy during the past few years which have been reaping results eventually, which in turn led to an increase in the sales of new energy and industrial vehicle products. At the same time, to meet customer needs, the Group has continuously added new production lines and increased production capacity.

For the six months ended 30 June 2024, against the backdrop of further intensification of competition in the industry and continuous increase in operating pressure of enterprises, the Group achieved the above results chiefly by virtue of the Group's adjustments to market policies during the past few years, the effect of which had been gradually emerging. The sales of both new energy and industrial vehicle products have further increased, with breakthroughs achieved in overseas sales as well. At present, sales revenue of new energy vehicle products accounts for approximately 19.8% of the Group's overall sales revenue. The Group has successfully occupied a position in this tide of new energy vehicles. In particular, products provided by the Group to one of the global leaders in new energy vehicles have become its single biggest source of supply to such series of products, with a portion of approximately 25%.

For the six months ended 30 June 2024, the Group was principally engaged in the manufacturing of cylinder blocks used for a wide variety of vehicles, including passenger vehicles, commercial vehicles and industrial vehicles. The Group also manufactures cylinder heads as well as certain other structural components of cylinder blocks. The following table sets forth the revenue and sales volume by segment and major products types for the six months ended 30 June 2024 and 2023 respectively.

	For the six months ended 30 June					
	2024			2023		
	Revenue (Unaudited) RMB'000	As a percentage of total revenue	Sales volume	Revenue (Unaudited) RMB'000	As a percentage of total revenue	Sales volume
		%	units		%	units
Cylinder blocks						
passenger vehicles	127,852	29.7	155,078	82,834	24.2	121,839
commercial vehicles	124,363	28.8	161,408	124,031	36.3	129,970
industrial vehicles	90,385	21.0	69,541	64,607	18.9	50,194
Subtotal	342,600	79.5	386,027	271,472	79.4	302,003
Cylinder heads	84,411	19.6	124,552	68,153	19.9	107,374
Ancillary cylinder block components	3,960	0.9	193,273	2,304	0.7	395,299
Total	<u>430,971</u>	<u>100.0</u>		<u>341,929</u>	<u>100.0</u>	

### Cylinder blocks for passenger vehicles

The cylinder blocks for passenger vehicles are normally used in light-weight engines of 1.0-1.6 liters. These cylinder blocks for passenger vehicles are produced either from grey cast iron alloy which provides high strength and wear resistance, or from aluminum alloy which is lighter in weight and can be used in more fuel-efficient engines. The portion of revenue from sales of cylinder blocks for passenger vehicles increased from approximately 24.2% of total revenue for the six months ended 30 June 2023 to approximately 29.7% of total revenue for the six months ended 30 June 2024. Sales volume of cylinder blocks for passenger vehicles increased by approximately 27.3% from approximately 122,000 units for the six months ended 30 June 2023 to approximately 155,000 units for the six months ended 30 June 2024. Such increase was primarily due to the increase in customer demand for cylinder blocks for new energy vehicles or plug-in hybrid electric (“PHE”) vehicles for passenger use. In 2024H1, production and sales quantities of new energy vehicles in China were approximately 4.9 million and approximately 4.9 million units respectively, representing a year-on-year increase of 30.1% and 32.4%. These figures reflect the overall growth trend of the new energy vehicle market in 2024H1, and also indicate that the new energy vehicle market, including the PHE vehicle market, is expected to maintain its growth in the future.



## **Cylinder Blocks for Commercial Vehicles**

The cylinder blocks for commercial vehicles are normally used in engines of 1.5 liters or above. The cylinder blocks for commercial vehicles are made from grey cast iron alloy. The portion of revenue from sales of cylinder blocks for commercial vehicles decreased from approximately 36.3% of the total revenue for the six months ended 30 June 2023 to approximately 28.8% of total revenue for the six months ended 30 June 2024. Meanwhile, sales volume of cylinder blocks for commercial vehicles increased by approximately 24.2% from approximately 130,000 units for the six months ended 30 June 2023 to approximately 161,000 units for the six months ended 30 June 2024. Such increase in sales volume of the cylinder blocks for commercial vehicles was primarily attributable to an increase in demands from our customers. Certain customers have planned to close to close their production plants for manufacturing of cylinder blocks for commercial vehicles, and shifted their production to us. The Group believes that it is a good opportunity for us to increase the market shares in this sector and the products of the Group are remained a competitive in the overall market due to high quality and good reputation.

## **Cylinder Blocks for Industrial Vehicles**

The cylinder blocks for industrial vehicles are designed for use in a variety of industries, such as farming, urban construction and landscape engineering. The cylinder blocks for industrial vehicles are made from grey cast iron alloy and are normally used in engines of 2.1 liters or above. The portion of revenue from sales of cylinder blocks for industrial vehicles increased from approximately 18.9% of total revenue for the six months ended 30 June 2023 to approximately 21.0% of total revenue for the six months ended 30 June 2024. Meanwhile, sales volume of cylinder blocks for industrial vehicles increased by approximately 38.5% from approximately 50,000 units for the six months ended 30 June 2023 to approximately 70,000 units for the six months ended 30 June 2024. Such increase was primarily attributable to the increase in sales orders from customers' overseas production bases have increased as compared with the corresponding period in last year. It proves that the Group's product quality has achieved global standards. The Group has been building the new production lines to meet the demands from our 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 the PRC. The portion of revenue from sales of cylinder heads decreased from approximately 19.9% of total revenue for the six months ended 30 June 2023 to approximately 19.6% of total revenue for the six months ended 30 June 2024, remaining basically the same. Meanwhile, sales volume of cylinder heads increased by approximately 16.0% from approximately 107,000 units for the six months ended 30 June 2023 to approximately 125,000 units for the six months ended 30 June 2024. Such an increase was primarily attributable to an increase in sales of cylinder blocks for industrial vehicles.

## **Production Facilities**

All production facilities of the Group are located in Shenzhou City, Hebei Province, the PRC. As at 30 June 2024, the Group added a mechanical processing line and owned and operated a total of 5 precision casting lines and 28 mechanical processing lines (including 23 for cylinder blocks, 3 for cylinder heads and 2 for other ancillary cylinder block components).

As of 30 June 2024, new production lines under construction of the Group included 9 new mechanical processing lines, all of them being at testing or debugging stage and are expected to be officially put into operation by the end of December 2024 or earlier.

## **FUTURE PROSPECTS**

Looking ahead into the second half of the year, it is anticipated that favourable policies, such as trade-in and introduction of new energy vehicles to rural regions, will continue to be implemented in the PRC, and new products of automobile companies will usher in intensive listings, which will help to further unleash the potential spending power of the automobile market and support the industry to achieve stable growth for the full year. The Group will continue to increase its production capacity according to market and customer needs to meet the demand. At the same time, the Group will internally continue to improve its operational efficiency and optimise its management processes, so as to achieve excellence and bring returns to shareholders and partners.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue increased by approximately 26.0% from approximately RMB341.9 million for the six months ended 30 June 2023 to approximately RMB431.0 million for the six months ended 30 June 2024. The increase was primarily attributable to an increase in sales of cylinder blocks and sales of cylinder heads.

### **Sales of Cylinder Blocks**

Segment revenue from sales of cylinder blocks increased by approximately 26.2% from approximately RMB271.5 million for the six months ended 30 June 2023 to approximately RMB342.6 million for the six months ended 30 June 2024. Meanwhile, the sales volume increased by approximately 27.8% from approximately 302,000 units for the six months ended 30 June 2023 to approximately 386,000 units for the six months ended 30 June 2024. Such increase in revenue from sales of cylinder blocks and sales volume was primarily attributable to the continuous increase in demands on cylinder blocks for new energy vehicles and industrial vehicles and the Group had increased its production capacities to meet the demands.

## **Sales of Cylinder Heads**

Segment revenue from sales of cylinder heads increased by approximately 23.9% from approximately RMB68.2 million for the six months ended 30 June 2023 to approximately RMB84.4 million for the six months ended 30 June 2024. Meanwhile, the sales volume of cylinder heads increased by approximately 16.0% from approximately 107,000 units for the six months ended 30 June 2023 to approximately 125,000 units for the six months ended 30 June 2024. The increase in revenue from sales of cylinder heads and sales volume was primarily due to an increase in demand for cylinder heads for industrial vehicles.

## **Sales of Ancillary Cylinder Block Components**

Segment revenue from sales of ancillary cylinder block components increased by approximately 71.9% from approximately RMB2.3 million for the six months ended 30 June 2023 to approximately RMB4.0 million for the six months ended 30 June 2024. However, the sales volume of ancillary cylinder block components decreased by approximately 51.1% from approximately 395,000 units for the six months ended 30 June 2023 to approximately 193,000 units for the six months ended 30 June 2024. The increase in sales of ancillary cylinder block components was primarily attributable to increase in demands of the high value products from customers.

## **Gross Profit and Gross Profit Margin**

Gross profit increased by approximately 1.5% from approximately RMB50.4 million for the six months ended 30 June 2023 to approximately RMB51.1 million for the six months ended 30 June 2024. The increase is primarily due to an increase in revenue. The gross profit margin decreased from 14.7% for the six months ended 30 June 2023 to 11.9% for the six months ended 30 June 2024, primarily due to a decrease in gross profit margin in sale of cylinder blocks from 16.8% for the six months ended 30 June 2023 to 14.6% for the six months ended 30 June 2024. The decrease in gross profit margin in sales of cylinder blocks is due to the obtaining and securing of further sales orders from prominent automobile manufacturers for the products of cylinder blocks and cylinder heads at lower gross profits which is also a result of the Group's latest strategic objective to increase the Group's share of the market.

## **Other Income**

Other income increased by approximately 87.3% from approximately RMB6.4 million for the six months ended 30 June 2023 to approximately RMB11.9 million for the six months ended 30 June 2024, which was primarily due to an increase in government grants from approximately RMB6.3 million for the six months ended 30 June 2023 to approximately RMB11.9 million for the six months ended 30 June 2024.

## **Selling Expenses**

Selling expenses decreased by approximately 12.6% from approximately RMB4.7 million for the six months ended 30 June 2023 to approximately RMB4.1 million for the six months ended 30 June 2024, primarily attributable to a decrease in provision for warranties as the Group enhanced its quality control and reduced the provision of the service after the sales.

## **Administrative Expenses**

Administrative expenses increased by approximately 11.8% from approximately RMB35.5 million for the six months ended 30 June 2023 to approximately RMB39.7 million for the six months ended 30 June 2024. The increase in administrative expenses was attributable to an increase in repair and maintenance fee and general office expenditures.

## **Other Gain and Expenses**

Other gain and expenses increased by approximately 103.4% from a gain of approximately RMB1.6 million for the six months ended 30 June 2023 to a gain of approximately RMB3.2 million for the six months ended 30 June 2024, which was primarily attributing to an one-off rental income received by the Group which amounted to approximately RMB2.0 million for the six months ended 30 June 2024 while no such income was recorded for the six months ended 30 June 2023.

## **Finance Costs**

Finance costs remained stable at approximately RMB5.2 million and approximately RMB5.2 million for the six months ended 30 June 2023 and 2024, respectively.

## **Income Tax**

Income tax increased by approximately 2.6 times from approximately RMB0.9 million for the six months ended 30 June 2023 to approximately RMB3.1 million for the six months ended 30 June 2024 primarily due to an increase in current income tax and deferred income tax.

## **Profit for the Period**

As a result of the foregoing, the profit for the period increased by approximately 17.4% from approximately RMB12.0 million for the six months ended 30 June 2023 to approximately RMB14.1 million for the six months ended 30 June 2024. The net profit margin decreased from 3.5% for the six months ended 30 June 2023 to 3.3% for six months ended 30 June 2024, which was mainly attributable to a decrease in gross profit margins.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The operation of the Group is primarily financed by cash generated from operating activities and bank borrowings. As at 30 June 2024 and 31 December 2023, cash at bank and on hand of the Group amounted to approximately RMB66.9 million and approximately RMB40.6 million, respectively. The increase is due to an increase in proceeds from the interest-bearing borrowings.

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

### **Trade and Bills Receivables**

The net of trade and bills receivables increased by approximately 11.0% from approximately RMB270.5 million as at 31 December 2023 to approximately RMB300.3 million as at 30 June 2024. The increase is primarily due to an increase in revenue.

### **Trade Payables and Bills payables**

The trade and bills payables increased by approximately 18.4% from approximately RMB280.8 million as at 31 December 2023 to approximately RMB332.5 million as at 30 June 2024 primarily due to an increase in costs of sales.

## Interest-bearing Borrowings

The interest-bearing borrowings increased by approximately 23.3% from approximately RMB243.5 million as at 31 December 2023 to approximately RMB300.3 million as at 30 June 2024 which were pledged by property, plant and equipment, right-of-use assets and bills receivables of the Group. The aggregate carrying amount of such pledged assets was approximately RMB144.7 million (as at 31 December 2023: RMB151.6 million). All interest-bearing borrowings as at 30 June 2024 and 31 December 2023 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:

	<b>At 30 June 2024 (Unaudited) RMB'000</b>	At 31 December 2023 (Audited) RMB'000
Repayment schedule		
Within 1 year or on demand	<b>156,334</b>	101,199
After 1 years but within 5 years	<b>144,000</b>	142,325
	<b>300,334</b>	243,524

## Gearing Ratio

The gearing ratio increased from approximately 24.7% as at 31 December 2023 to approximately 30.1% as at 30 June 2024, primarily attributing to an increase in interest-bearing borrowings of approximately RMB56.8 million as at 30 June 2024 as compared to 31 December 2023.

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

## Capital Expenditure

For the six months ended 30 June 2024, the capital expenditure of the Group was approximately RMB60.2 million (six months ended 30 June 2023: RMB47.5 million). The capital expenditure incurred for the six months ended 30 June 2024 was primarily related to the construction of new mechanical processing lines for the new products and purchases of additional equipment and machineries used for improvement of the existing production lines.

## Capital Commitments

As at 30 June 2024, the capital commitments of the Group in respect of property, plant and equipment contracted for amounted to approximately RMB28.7 million (as at 31 December 2023: RMB22.5 million).

## **Contingent Liabilities**

As at 30 June 2024, the Group did not have any material contingent liabilities or guarantees (as at 31 December 2023: Nil).

## **Fluctuation of Renminbi Exchange Rate and Foreign Exchange Risks**

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

## **SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, the Group did not have detailed plans for material investment or capital assets as at 30 June 2024 (as at 31 December 2023: Nil).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2024, the Group had a total of 934 employees (as at 31 December 2023: 766 employees). For the six months ended 30 June 2024, the Group has incurred total staff costs of approximately RMB48.7 million (six months ended 30 June 2023: RMB40.4 million), representing an increase of approximately 20.6% as compared to the six months ended 30 June 2023.

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.

## **MAJOR SUBSEQUENT EVENTS**

Save as disclosed in this announcement, there are no major subsequent events after 30 June 2024 which would materially affect the Group's operating and financial performance since the end of the reporting period and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK\$1.5 cents per share).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the six months ended 30 June 2024 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 (including sale of treasury shares as defined under the Listing Rules). The Company did not hold any treasury shares as at 30 June 2024.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board comprises of four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code") set out in Part 2 of Appendix C1 to the Listing Rules. Throughout the six months ended 30 June 2024, the Company has fully complied with the code provisions, except for the following.

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



Save as disclosed above, the Company has strictly complied with the CG Code during the six months ended 30 June 2024. The Directors will review the Group's corporate governance policies and compliance with the CG Code from time to time.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the six months ended 30 June 2024.

## **CHANGES IN DIRECTOR'S INFORMATION**

Ms. Meng Lingjin has been appointed as an executive Director and chief financial officer of the Company with effect from 1 July 2024. For details, please refer to the announcements of the Company dated 28 June 2024 and 12 July 2024.

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **AUDIT COMMITTEE**

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

The Audit Committee, together with the management, have reviewed the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024.

**PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hbsgt.com> and the interim report for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched (if requested) to the shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

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

Shenzhen, the PRC, 28 August 2024

*As of the date of this announcement, the Board comprises Mr. Meng Lianzhou, Ms. Meng Lingjin, 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.*