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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	Change
Revenue (RMB'000)	**679,763**	433,475	56.8%
Gross Profit (RMB'000)	**118,220**	106,492	11.0%
Gross profit margin	***17.4%***	*24.6%*	*(7.2)%*
Profit for the year (RMB'000)	**36,570**	33,600	8.8%
Net profit margin	***5.4%***	*7.8%*	*(2.4)%*
Basic and diluted earnings per share (RMB)	**0.046**	0.042	

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 2021 together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Renminbi ("RMB"))

	Note	**2021** **RMB'000**	2020 RMB'000
Revenue	3	**679,763**	433,475
Cost of sales		**(561,543)**	(326,983)
Gross profit	3(b)	**118,220**	106,492
Other income	4	**25,666**	21,989
Selling expenses		**(7,551)**	(12,156)
Administrative expenses		**(77,683)**	(53,705)
Impairment loss on trade receivables	5(c)	**(10,190)**	(15,587)
Profit from operations		**48,462**	47,033
Finance costs		**(6,447)**	(7,501)
Profit before taxation	5	**42,015**	39,532
Income tax	6	**(5,445)**	(5,932)
Profit for the year attributable to equity shareholders of the Company		**36,570**	33,600
Earnings per share			
Basic and diluted (RMB)	7	**0.046**	0.042
Profit for the year		**36,570**	33,600
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		**(1,008)**	(2,024)
Total comprehensive income for the year attributable to equity shareholders of the Company		**35,562**	31,576

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Expressed in RMB)

	Note	***2021*** **RMB'000**	*2020* RMB'000
Non-current assets			
Property, plant and equipment		**760,185**	710,157
Right-of-use assets		**108,653**	111,458
Deferred tax assets		**15,629**	13,624
Other non-current assets		**36,749**	-
		921,216	835,239
Current assets			
Inventories		**239,603**	197,094
Trade and other receivables	8	**309,296**	375,851
Prepaid income tax		**11,551**	6,171
Cash at bank and on hand		**30,009**	26,318
		590,459	605,434
Current liabilities			
Trade and other payables	9	**327,289**	265,433
Bank loans	10(a)	**160,000**	160,000
Lease liabilities		**65**	236
Provision for warranties		**2,131**	2,001
		489,485	427,670
Net current assets		**100,974**	177,764
Total assets less current liabilities		**1,022,190**	1,013,003
Non-current liabilities			
Deferred income		**39,967**	46,993
Lease liabilities		**-**	88
Deferred tax liabilities		**5,121**	5,121
Provision for warranties		**2,906**	2,542
		47,994	54,744
NET ASSETS		**974,196**	958,259
CAPITAL AND RESERVES			
Share capital		**66,425**	66,425
Reserves		**907,771**	891,834
TOTAL EQUITY		**974,196**	958,259

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, 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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group.

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

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

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

(c) Changes in accounting policies

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these amendments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented.

The Group has not yet applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of cylinder blocks	**522,982**	342,774
Sales of cylinder heads	**151,119**	84,546
Sales of ancillary cylinder block components	**5,662**	6,155
	679,763	433,475

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 2021 and 2020. 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 2021 and 2020 is set out below:

	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**

	2020			
	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	342,774	84,546	6,155	433,475
Reportable segment gross profit	81,955	24,037	500	106,492

(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

	2021 RMB'000	2020 RMB'000
Government grants (including amortisation of deferred income)	**23,859**	21,544
Interest income	**644**	182
Net gain /(loss) on disposal of property, plant and equipment	**78**	(37)
Others	**1,085**	300
	25,666	21,989

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on bank loans	**6,380**	6,186
Bank charges and others	**58**	1,295
Interest on lease liabilities	**9**	20
	6,447	7,501

No borrowing costs have been capitalised for the year ended 31 December 2021 (2020: RMB Nil).

(b) Staff costs#

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	**77,266**	61,584
Contributions to defined contribution retirement plan	**4,140**	316
	81,406	61,900

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 2020, 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 2021, 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

	2021	2020
	RMB'000	RMB'000
Depreciation charge		
- owned property, plant and equipment	**64,239**	62,712
- right-of-use assets	**2,805**	2,810
Impairment losses on trade receivables	**10,190**	15,587
Short-term leases charges	**268**	254
Provision for warranties	**3,429**	673
Auditors' remuneration	**2,100**	2,000
Research and development costs	**24,973**	16,059
Cost of inventories[#]	**561,543**	326,983

[#] Cost of inventories includes RMB109,704,000 (2020: RMB95,101,000) 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:

	2021 **RMB'000**	2020 RMB'000
Current taxation - PRC Corporate Income Tax		
Provision for the year	**7,450**	7,119
Deferred taxation		
Origination and reversal of temporary differences	**(2,005)**	(1,451)
Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**-**	264
	(2,005)	(1,187)
	5,445	5,932

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

	2021 **RMB'000**	2020 RMB'000
Profit before taxation	**42,015**	39,532
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**10,971**	10,336
Tax effect of non-deductible expenses	**198**	122
Tax concessions	**(8,208)**	(5,975)
Tax effect of withholding tax in connection with the retained profits distributed by a subsidiary of the Group	**2,300**	1,364
Tax effect of unused tax losses not recognised	**184**	85
Actual tax expense	**5,445**	5,932

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 RMB36,570,000 (2020: RMB33,600,000) and the weighted average of 800,000,000 ordinary shares in issue during the year (2020: 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 2021 and 2020.

8. TRADE AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables	**196,672**	221,132
Less: loss allowance	**(38,486)**	(28,296)
	158,186	192,836
Bills receivable	**104,979**	89,860
Financial assets measured at amortised cost	**263,165**	282,696
Prepayment for an investment to a target company	**-**	37,378
Prepayments and other receivables	**42,263**	55,777
Deductible value-added tax	**3,868**	-
	309,296	375,851

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:

	2021 RMB'000	2020 RMB'000
Less than 1 month	**110,556**	91,639
1 to 3 months	**94,773**	115,278
3 to 6 months	**53,893**	53,139
Over 6 months	**3,943**	22,640
	263,165	282,696

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

9. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables	**213,991**	158,323
Bills payable	**20,000**	-
Payables for construction of property, plant and equipment	**65,074**	81,933
Payables for staff related costs	**6,518**	8,907
Contract liabilities	**5,028**	4,652
Others	**16,621**	8,617
Financial liabilities measured at amortised cost	**327,232**	262,432
Payables for other taxes	**57**	3,001
	327,289	265,433

Notes:

(i) All of the trade and other bills 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:

	2021	2020
	RMB'000	RMB'000
Less than 1 month	**92,371**	127,982
1 to 3 months	**58,442**	11,749
3 to 6 months	**44,654**	4,499
Over 6 months	**38,524**	14,093
	233,991	158,323

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

	2021	2020
	RMB'000	RMB'000
Balance at 1 January	**4,652**	4,544
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	**(4,652)**	(4,544)
Advances received from customers	**5,028**	4,652
Balance at 31 December	**5,028**	4,652

10. BANK LOANS

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

	2021 **RMB'000**	2020 RMB'000
Secured by property, plant and equipment and right-of-use assets	**160,000**	160,000

(b) 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:

	2021 **RMB'000**	2020 RMB'000
Property, plant and equipment	**36,655**	84,571
Right-of-use assets	**51,521**	25,294
	88,176	109,865

(c) 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 2021, none of the covenants had been breached (2020: None).

11. DIVIDENDS

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

	2021 **RMB'000**	2020 RMB'000
Interim dividend declared of HK$3.0 cents per ordinary share (2020: HK$2.0 cents per ordinary share)	**19,625**	13,635

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB Nil).

The Board resolved to declare an interim dividend of HK3.0 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK2.0 cents) to those shareholders whose names are on the register of members of the Company on 30 September 2021.

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

The Directors did not recommend the payment of a dividend in respect of the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the year ended 31 December 2021 (the "**Year**"), the automobile industry in the PRC experienced an extraordinary year, in which it faced numerous negative factors such as the ever-evolving global COVID-19 pandemic and shortage of automobile chips supply. Nevertheless, the automobile industry overcame such hardship to demonstrate a trend of stable growth in terms of annual automobile production and sales. According to the data published by the China Association of Automobile Manufacturers, the volume of automobile production and sales in the PRC during the Year amounted to 26.1 million units and 26.3 million units, respectively, representing a year-on-year growth of 3.4% and 3.8%, thus ending the decreasing trend for three years running since 2018 and posting the first year-on-year increase.

The sales volume of new energy vehicles in the PRC during the Year amounted to 3.5 million units, representing a year-on-year growth of 157.6%, while its market penetration rate increased substantially from 5.4% in 2020 to 13.4%. In particular, the production and sales of plug-in hybrid electric passenger vehicles amounted to 0.6 million units and 0.6 million units, respectively, representing a year-on-year increase of 1.3 times and 1.4 times. New energy vehicles continued to be the biggest highlight of the industry.

In addition, during the Year, sales volume of domestic branded passenger vehicles reached 9.5 million units, representing a year-on-year of 23.1%; its market share was 44.4%, representing a year-on-year of 6.0% and closing in on the historical high. This signifies that more consumers are supporting domestic branded passenger vehicles and recognize its quality and pricing, thereby better satisfying the increasing demand of consumers.

During the Year, relevant departments of the central government introduced a series of guidelines, facilitated the introduction of policies for the development of the automobile industry, and continued to regulate and promote the entire industry, including the complete abolition of the restriction on the transfer of second-hand vehicles, implementation of the "three guarantees" new regulations for automobiles, and the inclusion of parking facilities into the development initiative of key project construction planning of each city, among others. The guidance of the national policy on the automobile industry is set to enable the rapid development of the automobile industry.

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.

During the Year, revenue of the Group amounted to approximately RMB679.8 million, representing an increase of 56.8% from approximately RMB433.5 million in 2020. Meanwhile, profit of the Group amounted to approximately RMB36.6 million, representing an increase of 8.8% from approximately RMB33.6 million in 2020. In the first half of Year, as the Group benefited from the recovery of the automobile industry from the COVID-19 pandemic, the customer demand for cylinder blocks and cylinder heads increased due to the growth in demand for vehicles in the PRC; however, starting from the second half of 2021, shortage of chips supply directly affected the production process of the automobile manufacturers and dampened the demand from automobile manufacturers for the products of the Group.

The Group primarily manufactures 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 2021 and 2020:

	For the year ended 31 December					
	2021			2020		
	Revenue	**As a percentage of total revenue**	**Sales volume**	Revenue	As a percentage of total revenue	Sales volume
	RMB'000	**%**	**units**	RMB'000	%	units
Cylinder blocks						
Cylinder blocks for passenger vehicles	**132,777**	**19.5**	**140,037**	48,228	11.1	56,470
Cylinder blocks for commercial vehicles	**322,689**	**47.5**	**310,673**	238,306	55.0	236,107
Cylinder blocks for industrial vehicles	**67,516**	**9.9**	**57,708**	56,240	13.0	52,037
Subtotal	**522,982**	**76.9**	**508,418**	342,774	79.1	344,614
Cylinder heads	**151,119**	**22.3**	**241,731**	84,546	19.5	131,846
Ancillary cylinder block components	**5,662**	**0.8**	**122,724**	6,155	1.4	78,466
Total	**679,763**	**100.0**		433,475	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 11.1% of the Group's total revenue for the year ended 31 December 2020 to approximately 19.5% for the year ended 31 December 2021. Sales volume of cylinder blocks for passenger vehicles increased by approximately 148.0% from approximately 56,000 units for the year ended 31 December 2020 to approximately 140,000 units for the year ended 31 December 2021, such increase was due to an increase in demand from the Group's customers, especially from Jiangling Motors Corporation Group ("**JMC**") and China FAW Group Corporation Limited ("**China FAW**"), a domestic automobile manufacturer. The sales of cylinder block to China FAW increased by approximately 65.1% to approximately RMB56.9 million for the year ended 31 December 2021.

During the Year, the Group actively cooperated with BYD Co., Ltd (“**BYD**”), including for the development of 472QA cylinder block and cylinder head. The model products are used in BYD’s DM-i hybrid platform and are components of new energy vehicles, covering both passenger vehicles and SUV. As at 31 December 2021, the Group has completed product positioning, mass production of cylinder heads and small batch delivery of cylinder blocks. In January 2021, the products began mass production.

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 55.0% of total revenue for the year ended 31 December 2020 to approximately 47.5% for the year ended 31 December 2021, such decrease primarily attributable to a more significant increase in sales of cylinder blocks for passenger vehicles as described above. Sales volume of cylinder blocks for commercial vehicles increased by approximately 31.6% from approximately 236,000 units for the year ended 31 December 2020 to approximately 311,000 units for the year ended 31 December 2021. Such increase was primarily due to a significant increase in demand for cylinder block products of 4D30 and puma series sold to the customers.

During the Year, the Group cooperated with Beiqi Foton Motor Co., Ltd. (“**Foton Motor**”) to jointly develop cylinder blocks and cylinder heads for clean diesel-powered engines, mainly used in Foton Motor’s light trucks and pickup trucks. The products may satisfy the fuel and emission standard up to 2025, as well as meet the emission requirement of volume ≦2.5L in respect of light truck engines. As at 31 December 2021, the Group delivered the sample to Foton Motor, and mass production is expected to commence in March 2022.

In addition to the development of light truck products, the Group has devised plans to tap into the heavy commercial truck market to further expand its market share. The Group will cooperate with Dongfeng Forging Co., Ltd. under Dongfeng Motor Corporation (“**Dongfeng**”) to jointly process DDi11-type cylinder blocks and cylinder heads in Shiyan City, Hubei Province. This marks the first presence of the Group outside Hebei Province to establish production lines in other provinces, marking another important milestone of the Group. The product will be primarily used in Tianlong (天龍), a heavy truck brand under Dongfeng, and is expected to commence mass production in the second half of 2022. If materialized, the project will facilitate further cooperation of the Group and Dongfeng, for, including but not limited to, cylinder blocks and cylinder heads for other models and deep processing of other components.

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 decreased from approximately 13.0% of total revenue from sales of cylinder blocks for the year ended 31 December 2020 to approximately 9.9% for the year ended 31 December 2021, such decrease primarily attributable to a more significant increase in sales of cylinder blocks for passengers vehicles as described above. Sales volume of cylinder blocks for industrial vehicles increased by approximately 10.9% from approximately 52,000 units for the year ended 31 December 2020 to approximately 58,000 units for the year ended 31 December 2021. Such increase was mainly due to the increase in demand for the Group’s products from one customer.

During the Year, in addition to the mass production of 2.9L cylinder blocks and cylinder heads, 6.1L cylinder blocks and cylinder heads and three mechanically processed products pursuant to the cooperation between the Group and DEUTZ AG, the Group also enhanced its cooperation with DEUTZ AG. While we negotiated for an increased sales volume for 2.9L cylinder block and cylinder head, 6.1L cylinder block and cylinder head, we also developed 2.2L cylinder block and cylinder head, 4.1L cylinder block and cylinder head products for DEUTZ AG. As at 31 December 2021, 2.2L cylinder block and cylinder head, 4.1L cylinder block and cylinder head products had completed positioning and samples are expected to be delivered in the second half of 2022. These products are primarily used in non-road construction machinery, such as excavators, cranes and bulldozers, and cover the demand from the automobile manufacturing market in Europe, Asia and from SANY Heavy Industry.

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 increased by approximately 83.3% from approximately 132,000 units for the year ended 31 December 2020 to approximately 242,000 units for the year ended 31 December 2021. Such increase was primarily due to an increase in demand for 493 cylinder heads from JMC.

Production Facilities

All production facilities of the Group are located in Shenzhou, Hebei Province, the PRC. As at 31 December 2021, the Group owned and operated a total of 3 precision casting lines and 26 mechanical processing lines (including 21 for cylinder blocks, 3 for cylinder heads and 2 for other ancillary cylinder block components).

During the year ended 31 December 2021, the Group had been building 20 new mechanical processing lines and a precision casting line by using the renovation of the existing production line or investing a new production line; in particular, 14 such mechanical processing lines were completed and commenced production. These production lines expand the current model production lines. The remaining new mechanical processing lines and precision casting lines that have yet to finish renovation or construction are expected to gradually commence production in 2022 and new products will be launched.

FINANCIAL REVIEW

Revenue

Revenue increased significantly by approximately 56.8% from approximately RMB433.5 million for the year ended 31 December 2020 to approximately RMB679.8 million for the year ended 31 December 2021. This increase was primarily attributable to a significant increase in revenue from sales of cylinder blocks and cylinder heads. The automotive industry in China has recovered from the COVID-19 pandemic, which resulted in the increase in demand from the Group's customers for cylinder blocks and cylinder heads.

Sales of Cylinder Blocks

Segment revenue from cylinder block sales increased by approximately 52.6% from approximately RMB342.8 million for the year ended 31 December 2020 to approximately RMB523.0 million for the year ended 31 December 2021, primarily attributable to an increase in sales volume from approximately 345,000 units for the year ended 31 December 2020 to approximately 508,000 units for the year ended 31 December 2021. Sales of cylinder blocks for passenger vehicles and commercial vehicles increased by approximately RMB84.5 million and RMB84.4 million, respectively, for the year ended 31 December 2021 as compared with the corresponding period in last year.

Sales of Cylinder Heads

Segment revenue from cylinder head sales increased by approximately 78.7% from approximately RMB84.5million for the year ended 31 December 2020 to approximately RMB151.1 million for the year ended 31 December 2021. This increase was primarily due to increase in demand from the Group's customers. The sales volume of cylinder heads increased from approximately 132,000 units for the year ended 31 December 2020 to approximately 242,000 units for the year ended 31 December 2021, primarily related to an increase in demand of the 493 series of cylinder heads from JMC.

Sales of Ancillary Cylinder Block Components

Segment revenue from ancillary cylinder block components sales slightly decreased by approximately 8.0% from approximately RMB6.2 million for the year ended 31 December 2020 to approximately RMB5.7 million for the year ended 31 December 2021. This decrease was primarily attributable to a decrease in average selling price for the year ended 31 December 2021 as compared with the corresponding period in last year, due to an increase in sales of low-ended ancillary cylinder block components with a lower selling price.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 11.0% from approximately RMB106.5 million for the year ended 31 December 2020 to approximately RMB118.2 million for the year ended 31 December 2021, primarily attributable to an increase in revenue for the year ended 31 December 2021 but which was partially offset by a decrease in gross profit margin. The gross profit margin decreased from 24.6% for the year ended 31 December 2020 to 17.4% for the year ended 31 December 2021, primarily due to increase in sales of certain products to one customer with a lower profit margin and an increase in rough cast products purchased from the suppliers for processing, as well as lowered requirements of one customer toward certain products which had relatively lower profit margin.

Other Income

Other income increased by approximately 16.7% from approximately RMB22.0 million for the year ended 31 December 2020 to approximately RMB25.7 million for the year ended 31 December 2021. This increase was primarily due to an increase in government grants received. During the year ended 31 December 2021, the Group recognised government grants of approximately RMB23.9million, as compared with government grants of approximately RMB21.5 million for the year ended 31 December 2020, in relation to the contribution of the Group in technological innovation. The government grants related to the expansion of the production facilities and purchase of new production equipment which are recorded as deferred income and amortised over the years.

Selling Expenses

Selling expenses decreased by approximately 37.9% from approximately RMB12.2 million for the year ended 31 December 2020 to approximately RMB7.6 million for the year ended 31 December 2021. The decrease was primarily due to a decrease in transportation costs.

Administrative Expenses

Administrative expenses increased by approximately 44.6% from approximately RMB53.7 million for the year ended 31 December 2020 to approximately RMB77.7 million for the year ended 31 December 2021. The increase in administrative expenses was attributable to (i) an increase in research and development costs of approximately RMB16.1 million to approximately RMB25.0 million for the year ended 31 December 2021; and (ii) an increase in staff costs from approximately RMB15.4 million for the year ended 31 December 2020 to approximately RMB21.1 million for the year ended 31 December 2021, due to increase in number of management staff and incentive payment as well as absence of the relief in social insurance proposed by the government under the COVID-19 epidemic.

Impairment loss on trade receivables

Impairment loss on trade receivables decreased by approximately 34.6% from approximately RMB15.6 million for the year ended 31 December 2020 to approximately RMB10.2 million for the year ended31 December 2021. The Group made an impairment loss on trade receivables for the year ended 31 December 2021 due to an increase in the balance of trade receivables that have been overdue more than two years.

Finance Costs

Finance costs decreased by approximately 14.1% from approximately RMB7.5million for the year ended 31 December 2020 to approximately RMB6.4 million for the year ended 31 December 2021, primarily due to a decrease in discounting bills the Group for financing during the year.

Income Tax Expenses

Income tax expenses decreased by approximately 8.2% from approximately RMB5.9 million for the year ended 31 December 2020 to approximately RMB5.4 million for the year ended 31 December 2021 primarily due to an increase in tax benefits enjoyed by an operating subsidiary. The effective tax rate decreased from approximately 15.0% for the year ended 31 December 2020 to approximately 13.0% for the year ended 31 December 2021, primarily due to increase in research and development costs during the Year. As a result, the amount of additional tax deductible allowance which of the Group can claim has increased accordingly.

Profit for the Year

As a result of the foregoing, the profit for the year increased by approximately 8.8% from approximately RMB33.6 million for the year ended 31 December 2020 to approximately RMB36.6 million for the year ended 31 December 2021. However, the net profit margin decreased from 7.8% for the year ended 31 December 2020 to 5.4% for year ended 31 December 2021, 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, net proceeds received from the global offering of the Company (the "**Global Offering**") completed in January 2018 and bank and other borrowings. As of 31 December 2021 and 2020, cash at bank and on hand of the Group amounted to approximately RMB30.0 million and approximately RMB26.3 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 6.9% from approximately RMB282.7 million as at 31 December 2020 to approximately RMB263.2 million as at 31 December 2021, primarily due to the timely settlement of billings by the Group's customers due to the recovery of the automotive industry. As a result, the trade receivables and bills receivable turnover days decreased from 223 days as at 31 December 2020 to 164 days as at 31 December 2021. The Group will strengthen customer credit risk management to guard against the increase in impairment loss on trade receivables. The impairment losses on trade receivables was increased from approximately RMB28.3 million as at 31 December 2020 to approximately RMB38.5 million as at 31 December 2021, due to an increase in the balance of trade receivables that have been overdue more than two years.

Trade Payables

The trade payables increased by approximately 35.2% from approximately RMB158.3 million as at 31 December 2020 to approximately RMB214.0 million as at 31 December 2021 primarily due to increase in purchase of raw materials for production. The trade payables turnover days decreased from 144 days as at 31 December 2020 to 119 days as at 31 December 2021, primarily attributable to improvement of cash position of the Group due to timely settlement from its customers.

Bank Loans

The bank loans were stable at RMB160.0 million and RMB160.0 million as at 31 December 2021 and 2020, respectively which were pledged by property, plant and equipment and right-of-use of the Group. The aggregate carrying amount of such pledged assets was RMB88.2 million (31 December 2020: RMB109.9 million).

All bank loans as at 31 December 2021 and 31 December 2020 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:

	2021	2020
	RMB'000	RMB'000
Repayment Schedule		
Bank loans		
Within 1 year	**160,000**	160,000

Gearing Ratio

The gearing ratio was 16.4% and 16.7% as at 31 December 2021 and 2020, respectively, which remained stable.

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 2021, the capital expenditure of the Group was approximately RMB115.3 million (31 December 2020: RMB102.8 million). The capital expenditure incurred for the year ended 31 December 2021 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 2021, the capital commitments of the Group in respect of property, plant and equipment contracted amounted for approximately RMB33.3 million (31 December 2020: RMB22.4 million).

Contingent liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: 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 2021.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 749 employees (31 December 2020: 760 employees). For the year ended 31 December 2021, the Group has incurred total staff costs of approximately RMB81.4 million (year ended 31 December 2020: RMB61.9 million), representing an increase of approximately 31.5% as compared with those for year ended 31 December 2020, which was mainly due to increase in the Group's production and the absence of the relief in social insurance proposed by the government under the COVID-19 epidemic.

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 ending 31 December 2021 and agreed to receive the director's salary of RMB40,000 per annum with effect from 1 January 2021.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

Designated use set forth in the prospectus of the Company dated 19 December 2017	%	Original amount of net proceeds from the Global Offering allocated	Reallocation of unutilized net proceeds as at 24 November 2019	Revised use of net proceeds from the Global Offering	Actual use of net proceeds as at 31 December 2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Optimisation of the smart manufacturing process	43.3	114,600	(67,144)	47,456	47,456
Purchase of equipment and other enhancements to strengthen collaboration with third-party industry partners	8.5	22,497	(22,497)	-	-
Repayment of short-term borrowings	16.3	43,141	40,000	83,141	83,141
Construction of new mechanical processing lines and purchase of additional machinery and equipment	15.1	39,964	-	39,964	39,964
Enhancement of research and development capabilities	12.0	31,760	-	31,760	31,760
Working capital and general corporate use	4.8	12,704	11,641	24,345	24,345
Settlement of the consideration for the cooperation agreement entered between the Company and Saint Jean Industries in respect of the acquisition of Saint Jean Automotive System (Changshu) Co., Ltd.	-	-	38,000	38,000	38,000
	100.0	264,666	-	264,666	264,666

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

As at 31 December 2021, the net proceeds from the Global Offering of approximately RMB264.7 million had been fully utilised.

FUTURE PROSPECTS

Following the impact of chips shortage and the increase in raw material prices in 2021, it is expected that the automobile industry in the PRC will gradually enter a stable recovery phase in 2022 and prepare for a full rebound under the new norms. The Group believes that the automobile industry in the PRC will remain resilient in the mid-to-long term and will be well-positioned to explore new growth curves.

Faced with the current challenges and opportunities, the management team of the Group has devised the five-year plan up to 2025 to adopt the management approach of "stabilize growth, control costs, adjust structure", with a view to becoming the largest professional automobile cylinder block and cylinder head manufacturer in the PRC.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this announcement, there are no major subsequent events to 31 December 2021 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 2021 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and protect the interests of its Shareholders in an open manner.

The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2021, the Company has fully complied with the Code Provisions, except for the following deviation.

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

Save as disclosed above, the Company has strictly complied with the CG Code during the year ended 31 December 2021. 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 2021.

DIVIDEND

An interim dividend of HK$3.0 cents per share (2020: HK$2.0 cents) was paid on 22 October 2021.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholder's entitlement to attend and vote at the annual general meeting of the Company to be held on 30 May 2022("**AGM**"), the register of members of the Company will be closed from 25 May 2022 to 30 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 24 May 2022, 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 2021 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 2022. 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 2021.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2021ANNUAL 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 2021 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, 25 March 2022

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.