

**INTERIM
REPORT**
2024



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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Meng Lianzhou
(Chairman and Chief Executive Officer)
Ms. Meng Lingjin
(appointed on 1 July 2024)
Mr. Liu Zhanwen
Mr. Liu Enwang
Mr. Zhang Yuexuan

Independent Non-Executive Directors

Mr. Wan Ming
Mr. Ren Keqiang
Mr. Yu Chun Kau

AUDIT COMMITTEE

Mr. Yu Chun Kau (Chairman)
Mr. Wan Ming
Mr. Ren Keqiang

NOMINATION COMMITTEE

Mr. Wan Ming (Chairman)
Mr. Meng Lianzhou
Mr. Yu Chun Kau

REMUNERATION COMMITTEE

Mr. Ren Keqiang (Chairman)
Mr. Meng Lianzhou
Mr. Yu Chun Kau

COMPANY SECRETARY

Mr. Chan So Kuen
(appointed on 1 July 2024)
Mr. Lee Yiu Man
(resigned on 30 June 2024)

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Meng Lianzhou
Mr. Chan So Kuen
(appointed on 1 July 2024)
Mr. Lee Yiu Man
(resigned on 30 June 2024)

LEGAL ADVISOR

As to Hong Kong Law:
DeHeng Law Offices (Hong Kong) LLP
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5 Queen's Road Central
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AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered
in accordance with the Accounting and
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10 Chater Road
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Hong Kong

PRINCIPAL BANKERS

China Construction Bank Shenzhen Branch
Industrial Commercial Bank of China
Shenzhen Branch

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Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN PRC

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PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cricket Square
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Cayman Islands

HONG KONG SHARE REGISTRAR BRANCH

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 2025

WEBSITE

www.hbsgt.com

COMPANY OVERVIEW

Ruifeng Power Group Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) is a specialized manufacturer of cylinder blocks and cylinder heads, a major structure in automobile engines, based in Shenzhou, Hebei Province, the People’s Republic of China (the “**PRC**”).

Production of cylinder blocks and cylinder heads in the PRC has historically been split between internal production by manufacturers of automobiles and automobile engines and external outsourcing to specialized producers of automobile engine spare parts. The size of our business operations and significant production capacity allow us to secure the use of our products by some of the leading automobile manufacturers and engine producers located in the PRC. As at 30 June 2024, we 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).

The main products are:

Cylinder Blocks – A main structure of the automobile engine in which combustion of fuel takes place. It provides space for the required number of cylinders along with the associated surrounding structures, including coolant passages, intake and exhaust passages and crankcases. As a central component of an automobile engine, defect acceptance levels for cylinder blocks need to be very low as it directly affects the engine performance, life and other important indicators.

Cylinder Heads – A major component of the engine which sits on top of the cylinder blocks and provides space for passages that feed air and fuel into a cylinder and allow the exhaust to escape. A cylinder head has to withstand high pressure and high temperatures while retaining its shape and form to seal the cylinder blocks via the head gasket.

Ancillary Cylinder Block Components – including main bearing cap and flywheel. Main bearing caps are used in piston engines to secure the crankshaft against the cylinder blocks. Our main bearing caps help prevent the forces created by the piston and transmitted to the crankshaft by forcing the crank to convert the reciprocating movement into rotation. A flywheel is designed to keep the crankshaft in the cylinder blocks turning smoothly during the periods when no power is being applied. Our flywheels are easy to install and highly resistant to rust and corrosion.

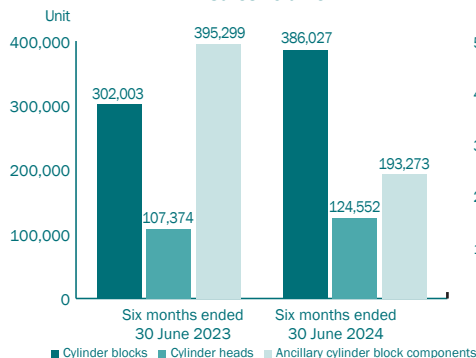
We believe that the following competitive strengths of the Group can bring our customers the most economical and reliable products:

- Being a specialized manufacturer of cylinder blocks and an established producer of cylinder heads in the PRC;
- A high level of flexibility in production facilities and process to meet the specific needs of different customers;
- Continuous optimization and innovation of production process and technologies; and
- Strong design and research and development capabilities.

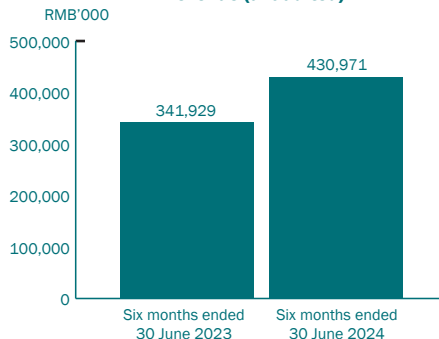
FINANCIAL SUMMARY

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

Sales volume



Revenue (unaudited)



Profit for the period attributable to equity shareholders of the Company (unaudited)



FINANCIAL SUMMARY

	At 30 June 2024 (Unaudited)	At 31 December 2023 (Audited)
Major Items of Consolidated Statement of Financial Position		
Non-current assets (RMB'000)	1,000,201	1,001,275
Current assets (RMB'000)	750,788	637,865
Current liabilities (RMB'000)	590,517	482,859
Net current assets (RMB'000)	160,271	155,006
Non-current liabilities (RMB'000)	172,297	171,474
Net assets (RMB'000)	988,175	984,807
Gearing ratio (Note)	30.4%	24.7%

Note

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China was facing increasing geopolitical tensions and trade protectionism, as the 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, the 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, the 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 scratch 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, thereby further enhancing energy efficiency.
- **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.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Electrification and hybrid technology:** With the 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 was 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 has 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 account 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 units	Revenue (Unaudited) RMB'000	As a percentage of total revenue %	Sales volume 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	430,971	100.0		341,929	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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 remained 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 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).

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2024, new production lines under construction of the Group included 9 new mechanical processing lines, all of which have reached the 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 for cylinder blocks for new energy vehicles and industrial vehicles and the Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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 fees and general office expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

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 attributable to a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

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

Gearing Ratio

The gearing ratio increased from approximately 24.7% as at 31 December 2023 to approximately 30.4% 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 a 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 report, 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 report, 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 report.

DIRECTORS' REPORT

The board (the **"Board"**) of directors (the **"Directors"**) of Ruifeng Power Group Company Limited (the **"Company"**) is pleased to submit the interim report together with unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 which have been reviewed by the audit committee of the Company (the **"Audit Committee"**).

INTERIM DIVIDEND

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 report, 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.

DIRECTORS' REPORT

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register of directors' and chief executive's interests and short positions required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Name of Entity	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Meng Lianzhou ("Mr. LZ Meng") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	5,044 shares of US\$1.00 each (L)	50.46%
Liu Zhanwen ("Mr. ZW Liu") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,432 shares of US\$1.00 each (L)	14.32%

DIRECTORS' REPORT

Name of Director	Name of Entity	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Zhang Yuexuan ("Mr. YX Zhang") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	2,235 shares of US\$1.00 each (L)	22.36%
Liu Enwang ("Mr. EW Liu") (Note 2)	The Company	Interest of controlled corporation	411,042,000 Shares (L)	51.38%
	Dragon Rise	Beneficial owner	1,286 shares of US\$1.00 each (L)	12.86%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) These 411,042,000 Shares are held by Dragon Rise Ventures Limited ("Dragon Rise"), the issued shares of which are owned as to approximately 50.46% by Mr. LZ Meng, approximately 14.32% by Mr. ZW Liu, approximately 22.36% by Mr. YX Zhang and approximately 12.86% by Mr. EW Liu, respectively. On 28 August 2017, Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu entered into a concert party agreement to, among others, confirm their acting-in-concert agreement. Under the SFO, each of Mr. LZ Meng, Mr. YX Zhang, Mr. EW Liu and Mr. ZW Liu is taken to be interested in the Shares beneficially owned by Dragon Rise.

Save as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of SFO and based on the information available were as follows:

Name of Shareholders	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Dragon Rise Ventures Limited (“ Dragon Rise ”)	Beneficial owner	411,042,000 Shares (L)	51.38%
Ms. Zhao Jingmei (趙敬梅) (“ Ms. Zhao ”) (Note 2)	Interest of spouse	411,042,000 Shares (L)	51.38%
Ms. Meng Dongdong (孟冬冬) (Note 3)	Interest of spouse	411,042,000 Shares (L)	51.38%
Ms. Xiao Zhiru (肖智茹) (Note 4)	Interest of spouse	411,042,000 Shares (L)	51.38%
Ms. Wang Sujuan (王素娟) (Note 5)	Interest of spouse	411,042,000 Shares (L)	51.38%
Radiant Path Holding Limited (“ Radiant Path ”)	Beneficial owner	67,868,000 Shares (L)	8.48%
Mr. Wang Shiyong (王士英) (“ Mr. Wang ”) (Note 6)	Interest of controlled corporation	67,868,000 Shares (L)	8.48%
Ms. Yin Shujuan (尹淑娟) (“ Ms. Yin ”) (Note 7)	Interest of spouse	67,868,000 Shares (L)	8.48%
Great Ally Enterprises Limited (“ Great Ally ”)	Beneficial owner	46,864,000 Shares (L)	5.86%
Mr. Zhang Zhanbiao (張占標) (“ Mr. ZB Zhang ”) (Note 8)	Interest of controlled corporation	46,864,000 Shares (L)	5.86%
Ms. Zhu Yunchuan (朱雲川) (Note 9)	Interest of spouse	46,864,000 Shares (L)	5.86%
Rosy Raise Limited (“ Rosy Raise ”)	Beneficial owner	46,864,000 Shares (L)	5.86%
Ms. Liu Meiling (劉美玲) (“ Ms. ML Liu ”) (Note 10)	Interest of controlled corporation	46,864,000 Shares (L)	5.86%
Mr. Li Xunye (李訓業) (Note 11)	Interest of spouse	46,864,000 Shares (L)	5.86%

DIRECTORS' REPORT

Notes:

- (1) The letter “L” denotes a long position (as defined under Part XV of the SFO) in the Shares.
- (2) Ms. Zhao is the spouse of Mr. LZ Meng. Under the SFO, she is taken to be interested in the Shares in which Mr. LZ Meng is interested.
- (3) Ms. Meng Dongdong (孟冬冬) is the spouse of Mr. ZW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. ZW Liu is interested.
- (4) Ms. Xiao Zhiru (肖智茹) is the spouse of Mr. YX Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. YX Zhang is interested.
- (5) Ms. Wang Sujuan (王素娟) is the spouse of Mr. EW Liu. Under the SFO, she is taken to be interested in the Shares in which Mr. EW Liu is interested.
- (6) These 67,868,000 Shares are beneficially owned by Radiant Path, which is wholly owned by Mr. Wang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Radiant Path.
- (7) Ms. Yin is the spouse of Mr. Wang. Under the SFO, she is taken to be interested in the Shares in which Mr. Wang is interested.
- (8) These 46,864,000 Shares are beneficially owned by Great Ally, which is wholly owned by Mr. ZB Zhang. Under the SFO, he is taken to be interested in the Shares beneficially owned by Great Ally.
- (9) Ms. Zhu Yunchuan (朱雲川) is the spouse of Mr. ZB Zhang. Under the SFO, she is taken to be interested in the Shares in which Mr. ZB Zhang is interested.
- (10) These 46,864,000 Shares are beneficially owned by Rosy Raise, which is wholly owned by Ms. ML Liu. Under the SFO, she is taken to be interested in the Shares beneficially owned by Rosy Raise.
- (11) Mr. Li Xunye (李訓業) is the spouse of Ms. ML Liu. Under the SFO, he is taken to be interested in the Shares in which Ms. ML Liu is interested.

Save as disclosed above, as at 30 June 2024, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, no person had interest or short position in the Shares or underlying Shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EQUITY-LINKED AGREEMENT

During the six months ended 30 June 2024, the Company did not enter into any other equity-linked agreement, nor did any other equity-linked agreement exist during the six months ended 30 June 2024, other than the Share Option Scheme as set out in the paragraph headed “Share Option Scheme” below.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 11 December 2017. The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group’s operations. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date with a remaining life until 10 December 2027.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the “**General Scheme Limit**”). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 80,000,000 Shares, representing 10% of the issued share capital of the Company. The Company may renew the General Scheme Limit with Shareholders’ approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders’ approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the General Scheme Limit as at the beginning and end of the Period under review are as below:

	At 1 January 2024	At 30 June 2024
Number of options granted	–	–
Number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the existing General Scheme Limit	80,000,000	80,000,000

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

DIRECTORS' REPORT

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee which comprises 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.

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

Shenzhen, the PRC, 28 August 2024

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

The notes on pages 28 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024

	Note	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	838,016	838,377
Right-of-use assets	11	102,211	103,494
Deferred tax assets	17	20,403	20,113
Other non-current assets		39,571	39,291
		1,000,201	1,001,275
Current assets			
Inventories	12	314,948	273,116
Trade and other receivables	13	363,235	319,333
Prepaid income tax		5,701	4,861
Cash at bank and on hand	14	66,904	40,555
		750,788	637,865
Current liabilities			
Trade and other payables	15	418,701	377,008
Interest-bearing borrowings	16	156,334	101,199
Dividend payable	20(a)	10,952	–
Provision for warranties	18	4,530	4,652
		590,517	482,859
Net current assets		160,271	155,006
Total assets less current liabilities		1,160,472	1,156,281

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024

	Note	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Non-current liabilities			
Interest-bearing borrowings	16	144,000	142,325
Deferred income	19	24,847	27,499
Deferred tax liabilities	17	3,450	1,650
		172,297	171,474
Net assets		988,175	984,807
Capital and reserves	20		
Share capital		66,425	66,425
Reserves		921,750	918,382
Total equity		988,175	984,807

Approved and authorised for issue by the board of directors on 28 August 2024.

Meng Lianzhou
Chairman

Liu Enwang
Director

The notes on pages 28 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024

	Attributable to equity shareholders of the Company					Total equity (Unaudited) RMB'000
	Share capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Exchange reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	
Balance at 1 January 2023	66,425	104,237	38,616	9,553	765,701	984,532
Changes in equity for the six months ended 30 June 2023:						
Profit for the period	-	-	-	-	11,980	11,980
Other comprehensive income for the period	-	-	-	1,186	-	1,186
Total comprehensive income	-	-	-	1,186	11,980	13,166
Balance at 30 June 2023	66,425	104,237	38,616	10,739	777,681	997,698
Balance at 1 January 2024	66,425	93,198	41,091	9,599	774,494	984,807
Changes in equity for the six months ended 30 June 2024:						
Profit for the period	-	-	-	-	14,062	14,062
Other comprehensive income for the period	-	-	-	258	-	258
Total comprehensive income	-	-	-	258	14,062	14,320
Appropriation to reserves	-	-	4,595	-	(4,595)	-
Final dividend declared (note 20(a))	-	(10,952)	-	-	-	(10,952)
	-	(10,952)	4,595	-	(4,595)	(10,952)
Balance at 30 June 2024	66,425	82,246	45,686	9,857	783,961	988,175

The notes on pages 28 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cash flows from operating activities			
Cash generated from operations		22,520	62,042
Income tax paid		(2,425)	(34)
Net cash generated from operating activities		20,095	62,008
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment and lease prepayments		(60,171)	(47,458)
Other cash flows arising from investing activities		8,881	535
Net cash used in investing activities		(51,290)	(46,923)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings		145,000	163,120
Repayment of interest-bearing borrowings		(88,190)	(103,000)
Dividends paid		–	(5,332)
Other cash flows arising from financing activities		(5,244)	(4,906)
Net cash generated from financing activities		51,566	49,882
Net increase in cash and cash equivalents		20,371	64,967
Cash and cash equivalents at the beginning of the period	14	20,555	11,550
Effect of foreign exchange rate changes		(22)	(404)
Cash and cash equivalents at the end of the period	14	40,904	76,113

The notes on pages 28 to 44 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 report. 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
	430,971	341,929

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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	Six months ended 30 June 2024			
	Cylinder blocks (Unaudited) RMB'000	Cylinder heads (Unaudited) RMB'000	Ancillary cylinder block components (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers recognised at a point in time	342,600	84,411	3,960	430,971
Reportable segment gross profit/(loss)	50,146	2,186	(1,221)	51,111

	Six months ended 30 June 2023			
	Cylinder blocks (Unaudited) RMB'000	Cylinder heads (Unaudited) RMB'000	Ancillary cylinder block components (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers recognised at a point in time	271,472	68,153	2,304	341,929
Reportable segment gross profit	45,694	3,254	1,411	50,359

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)**(b) Segment reporting** (continued)

(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 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Government grants (including amortisation of deferred income)	11,908	6,345
Interest income	38	33
	11,946	6,378

6 OTHER GAINS AND EXPENSES

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
(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)
	3,158	1,553

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

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

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
	48,703	40,394

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 PROFIT BEFORE TAXATION (continued)**(b) Staff costs (including directors' emoluments)** (continued)

The Group also operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed in 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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8 INCOME TAX

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

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

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 incorporated in Hong Kong 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of plant and machinery with a cost of approximately RMB60,171,000 (six months ended 30 June 2023: RMB33,969,000). Items of plant and machinery with a net book value of approximately RMB8,881,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB503,000).

11 RIGHT-OF-USE ASSETS

The right-of-use assets represent the land use rights paid by the Group for land situated in the PRC. The lease terms of land use right range from 50 to 70 years.

12 INVENTORIES**(a) Inventories in the consolidated statement of financial position comprise:**

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Raw materials	87,621	79,801
Work in progress	115,397	84,463
Finished goods	136,948	130,382
	339,966	294,646
Less: Write-down of inventories	(25,018)	(21,530)
	314,948	273,116

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

12 INVENTORIES (continued)

- (b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Carrying amount of inventories sold	376,372	291,182
Write-down of inventories	3,488	388
	379,860	291,570

13 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	(40,191)	(38,971)
Net trade and bills receivables	300,302	270,521
Non-trade receivables and prepayments	42,427	34,695
Deductible value added tax	20,506	14,117
	363,235	319,333

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (continued)

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

14 CASH AT BANK AND ON HAND

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Cash and cash equivalents in condensed consolidated cash flow statement	40,904	20,555
Restricted deposit with a bank (note (ii))	26,000	20,000
	66,904	40,555

Notes:

- (i) As at 30 June 2024, cash at bank and on hand situated in PRC approximately amounted to RMB40,710,000 (at 31 December 2023: RMB20,383,000). Remittance of funds out of PRC is subject to relevant rules and regulations of foreign exchange control.
- (ii) The Group issued short-term bank acceptance notes to its suppliers as a method of settlement of payment, which is guaranteed by the deposit amounted to RMB26,000,000 as at 30 June 2024 (at 31 December 2023: RMB20,000,000) in the issuing bank.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Trade payables	296,521	260,812
Bills payable	36,000	20,000
Payables for construction of property, plant and equipment	59,738	67,828
Payables for staff related costs	9,059	7,823
Contract liabilities	5,344	8,876
Payables for other taxes	119	257
Others	11,920	11,412
	418,701	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 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Within 1 month	127,517	114,457
1 to 3 months	64,891	60,926
3 to 6 months	77,766	43,731
Over 6 months	62,347	61,698
	332,521	280,812

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 INTEREST-BEARING BORROWINGS

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Current		
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	70,188	16,997
	156,334	101,199
Non-current		
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	(70,188)	(16,997)
	144,000	142,325

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	144,000	142,325
	214,188	159,322

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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Assets						Liabilities		Total RMB'000
	Government grants and subsequent amortisation RMB'000	Provision for warranties RMB'000	Write-down of inventories RMB'000	Credit loss allowance RMB'000	Accumulated tax loss RMB'000	Depreciation allowances in depreciation RMB'000	Sub-total RMB'000	Retained profits to be distributed RMB'000	
At 1 January 2023 (Audited)	5,010	776	2,521	6,648	-	-	14,955	(5,121)	9,834
(Charged)/credited to the consolidated statement of profit or loss	(885)	(78)	709	(802)	1,457	-	401	3,471	3,872
Reclassification	-	-	-	-	-	4,757	4,757	-	4,757
At 31 December 2023 (Audited) and 1 January 2024	4,125	698	3,230	5,846	1,457	4,757	20,113	(1,650)	18,463
(Charged)/credited to the consolidated statement of profit or loss	(398)	(18)	523	183	-	-	290	(1,800)	(1,510)
At 30 June 2024 (Unaudited)	3,727	680	3,753	6,029	1,457	4,757	20,403	(3,450)	16,953

18 PROVISION FOR WARRANTIES

	Six months ended 30 June 2024 (Unaudited) RMB'000	2023 (Audited) RMB'000
At 1 January	4,652	5,170
Provisions made	1,643	4,943
Provisions utilised	(1,765)	(5,461)
At 30 June/31 December	4,530	4,652
Less: Amount included under "current liabilities"	(4,530)	(4,652)
	-	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 PROVISION FOR WARRANTIES (continued)

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within the warranty period, which primarily ranges from one to three years from the date of customer acceptance. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

19 DEFERRED INCOME

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
At 1 January	27,499	33,401
Credited to the consolidated statement of profit or loss	(2,652)	(5,902)
At 30 June/31 December	24,847	27,499

Deferred income represents government grants received to compensate the Group's cost of construction of property, plant and equipment. The grants are amortised over the useful lives of the related property, plant and equipment.

20 CAPITAL, RESERVES AND DIVIDENDS**(a) Dividends**

The directors of the Company did not recommend the payment of an interim dividend of the six months ended 30 June 2024. A final dividend of HK\$1.5 cents per share for the year ended 31 December 2023 was approved in the annual general meeting on 29 May 2024 and would be distributed to those shareholders whose names are on the register of members of the Company on 20 June 2024, absorbing a total amount of HK\$12,000,000 out of the share premium account of the Company, scheduled to be paid on 19 July 2024 and which was subsequently rescheduled to be paid on 30 August 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.

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(Expressed in RMB unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

Movements in the Company's issued share capital are as follows:

	At 30 June 2024		At 31 December 2023	
	Number of shares	Nominal value of Ordinary shares (Unaudited) RMB'000	Number of shares	Nominal value of Ordinary shares (Audited) RMB'000
Ordinary shares, issued and fully paid:				
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024				
	800,000,000	66,425	800,000,000	66,425

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the financial statements were as follows:

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Commitments in respect of property, plant and equipment: – Contracted for	28,650	22,520

22 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management, is as follows:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Short-term employee benefits	1,104	1,421
Contributions to defined contribution retirement plan	5	30
	1,109	1,451