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# CHINA TIANRUI AUTOMOTIVE INTERIORS CO., LTD 中國天瑞汽車內飾件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6162)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

### RESULTS HIGHLIGHTS

	<i>Year ended 31 December</i>		
	<i>2021</i>	<i>2020</i>	Change
	RMB'000	RMB'000	
Revenue	<b>295,776</b>	379,555	-22.1%
Gross profit	<b>70,553</b>	116,906	-39.6%
Gross profit margin	<b>23.9%</b>	30.8%	-6.9%pts
Profit attributable to equity shareholders	<b>7,329</b>	50,874	-85.6%
Earnings per share			
Basic and diluted (RMB cents)	<b>0.37</b>	2.54	-85.6%
Final dividend per share (proposed) (HK\$ cents)	–	0.6	N/A

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianrui Automotive Interiors Co., LTD (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 in 2020 and the relevant explanatory notes.

**Consolidated statement of profit or loss  
for the year ended 31 December 2021**  
(Expressed in Renminbi (“RMB”))

	<i>Note</i>	<b>2021</b> <b>RMB’000</b>	2020 RMB’000
<b>Revenue</b>	3	<b>295,776</b>	379,555
Cost of sales		<u>(225,223)</u>	<u>(262,649)</u>
<b>Gross profit</b>	3(b)	<b>70,553</b>	116,906
Other income	4	<b>3,901</b>	6,466
Selling and distribution expenses		<b>(9,011)</b>	(9,737)
Administrative expenses		<b>(47,128)</b>	(41,282)
Impairment losses reversed on trade and other receivables		<u>31</u>	<u>706</u>
<b>Profit from operations</b>		<b>18,346</b>	73,059
Finance costs	5(a)	<u>(9,409)</u>	<u>(9,804)</u>
<b>Profit before taxation</b>	5	<b>8,937</b>	63,255
Income tax	6(a)	<u>(1,608)</u>	<u>(12,381)</u>
<b>Profit attributable to equity shareholders of the Company for the year</b>		<u><b>7,329</b></u>	<u>50,874</u>
<b>Earnings per share</b>			
— Basic and diluted (RMB cents)	7	<u><b>0.37</b></u>	<u>2.54</u>

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2021**

*(Expressed in RMB)*

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Profit for the year</b>	<b>7,329</b>	50,874
<b>Other comprehensive income for the year (after tax):</b>		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	<u>(705)</u>	<u>(696)</u>
<b>Total comprehensive income attributable to equity shareholders of the Company for the year</b>	<b><u>6,624</u></b>	<b><u>50,178</u></b>

**Consolidated statement of financial position**  
**at 31 December 2021**  
*(Expressed in RMB)*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>204,921</b>	169,922
Intangible assets		<b>1,279</b>	479
Prepayments for acquisitions of property, plant and equipment		<b>6,285</b>	9,949
Deferred tax assets		<b>2,061</b>	1,753
		<u><b>214,546</b></u>	<u>182,103</u>
<b>Current assets</b>			
Inventories		<b>60,224</b>	78,466
Trade and bills receivables	8	<b>166,130</b>	254,962
Prepayments and other receivables		<b>30,566</b>	12,893
Cash at bank and on hand		<b>100,850</b>	97,484
		<u><b>357,770</b></u>	<u>443,805</u>
<b>Current liabilities</b>			
Bank and other loans		<b>118,602</b>	88,667
Trade and bills payables	9	<b>131,862</b>	223,388
Accrued expenses and other payables		<b>36,028</b>	28,984
Lease liabilities		<b>820</b>	1,064
Current taxation		<b>73</b>	3,214
		<u><b>287,385</b></u>	<u>345,317</u>
<b>Net current assets</b>		<u><b>70,385</b></u>	<u>98,488</u>
<b>Total assets less current liabilities</b>		<u><b>284,931</b></u>	<u>280,591</u>

**Consolidated statement of financial position**  
**at 31 December 2021 (Continued)**  
*(Expressed in RMB)*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>Non-current liabilities</b>			
Bank and other loans		<b>15,232</b>	7,349
Leased liabilities		<b>58</b>	1,048
Deferred income		<b>2,969</b>	2,122
		<u><b>18,259</b></u>	<u>10,519</u>
<b>NET ASSETS</b>		<u><b>266,672</b></u>	<u>270,072</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>17,522</b>	17,522
Reserves		<b>249,150</b>	252,550
<b>TOTAL EQUITY</b>		<u><b>266,672</b></u>	<u>270,072</u>

## Notes to the financial statements

*(Expressed in RMB unless otherwise indicated)*

### 1 Corporate information

China Tianrui Automotive Interiors Co., LTD (the “**Company**”) was incorporated in the Cayman Islands on 27 April 2017 as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 January 2019 (the “**Listing Date**”). The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacture and sale of automotive interior and exterior decorative components and parts.

### 2 Significant accounting policies

#### *(a) Statement of compliance*

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period 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 Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2***

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

### 3 Revenue and segment reporting

#### (a) Revenue

The Group is principally engaged in the manufacture and sale of automotive interior and exterior decorative components and parts. Further details regarding the Group's principal activities are disclosed in Note 3(b).

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

	<b>2021</b>	<i>2020</i>
	<b>RMB'000</b>	RMB'000
<b>Revenue from contracts with customers</b>		
<b>within the scope of IFRS 15</b>		
Disaggregated by major products:		
— Sales of heavy trucks' decorative components and parts	<b>269,196</b>	332,448
— Sales of passenger vehicles' decorative components and parts	<b>26,580</b>	47,107
	<b>295,776</b>	379,555

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 3(b)(i) and 3(b)(iii) respectively.

The Group's customers with which transactions have exceeded 10% of the Group's revenue are set out below:

	<b>2021</b>	<i>2020</i>
	<b>RMB'000</b>	RMB'000
Customer A	<b>88,643</b>	177,268
Customer B	<b>169,892</b>	144,378

**(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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Heavy trucks' decorative components and parts: this segment includes primarily the research, development, manufacture and sale of decorative components and parts to be installed in heavy trucks.
- Passenger vehicles' decorative components and parts: this segment includes primarily the research, development, manufacture and sale of decorative components and parts to be installed in passenger vehicles.

**(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 and revenue generated by those segments and direct expenses incurred by those segments. The measure and revenue 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 expenses, including other income, selling and administration expenses and finance costs, 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.

	<i>2021</i>		
	Heavy trucks' decorative components and parts RMB'000	Passenger vehicles' decorative components and parts RMB'000	Total RMB'000
Revenue recognised at a point in time from external customers	<u>269,196</u>	<u>26,580</u>	<u>295,776</u>
Reportable segment gross profit	<u>67,852</u>	<u>2,701</u>	<u>70,553</u>
	<i>2020</i>		
	Heavy trucks' decorative components and parts RMB'000	Passenger vehicles' decorative components and parts RMB'000	Total RMB'000
Revenue recognised at a point in time from external customers	<u>332,448</u>	<u>47,107</u>	<u>379,555</u>
Reportable segment gross profit	<u>113,082</u>	<u>3,824</u>	<u>116,906</u>

(ii) *Reconciliation of reportable segment profit or loss*

	<i>2021</i> RMB'000	<i>2020</i> RMB'000
Total reportable segment gross profit	70,553	116,906
Other income	3,901	6,466
Selling and distribution expenses	(9,011)	(9,737)
Administrative expenses	(47,128)	(41,282)
Impairment losses reversed on trade and other receivables	31	706
Finance costs	<u>(9,409)</u>	<u>(9,804)</u>
Consolidated profit before taxation	<u>8,937</u>	<u>63,255</u>

(iii) *Geographic information*

The Group's revenue is substantially generated from the sales of automotive interior and exterior decorative components and parts in 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**

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants (including amortisation of deferred income)	<b>2,716</b>	2,926
Net gain on sales of medical goggles and scrap materials	<b>561</b>	3,215
Interest income	<b>357</b>	243
Net (loss)/gain on disposal of property, plant and equipment	<b>(114)</b>	12
Net foreign exchange losses	<b>381</b>	70
	<b>3,901</b>	6,466

**5 Profit before taxation**

Profit before taxation is arrived at after charging/(crediting):

(a) *Finance costs*

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank and other loans	<b>9,309</b>	9,647
Interest on lease liabilities	<b>100</b>	157
	<b>9,409</b>	9,804

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

(b) *Staff costs*<sup>#</sup>

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Salaries, wages and other benefits	<b>47,662</b>	49,725
Contributions to defined contribution retirement plan	<b>3,024</b>	408
	<b>50,686</b>	50,133

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in the defined contribution retirement benefit plan managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above-mentioned retirement plan at their normal retirement age. During the year ended 31 December 2020, the subsidiaries established in the PRC have been granted certain exemption on the contributions to defined contribution retirement plans by the local government authority as a result of the COVID-19 impact for the period from February 2020 to December 2020.

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 Dollars (“**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*

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation <sup>#</sup>	192	65
Depreciation charge <sup>#</sup>		
— owned property, plant and equipment	25,472	17,207
— right-of-use assets	775	775
	<u>26,439</u>	<u>18,047</u>
Auditors' remuneration		
— audit service	1,800	1,800
Research and development costs	20,139	18,162
Cost of inventories <sup>#</sup>	225,223	262,649

# Cost of inventories includes RMB46,749,000 (2020: RMB45,475,000) relating to staff costs, and depreciation and amortisation 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:*

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current taxation:</b>		
Provision for the year	1,916	12,254
<b>Deferred taxation:</b>		
— Origination and reversal of temporary differences	(723)	127
— Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note (iv))	415	—
	<u>(308)</u>	<u>127</u>
	<u>1,608</u>	<u>12,381</u>

(b) **Reconciliation between actual tax expense and accounting profit at applicable tax rates:**

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Profit before taxation	<b>8,937</b>	63,255
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i),(ii) and (iii))	<b>2,592</b>	16,176
Tax effect of non-deductible items	<b>415</b>	512
Tax effect on preferential tax rate (Notes (iv) and (v))	<b>493</b>	(4,697)
Tax effect on bonus deduction of research and development costs (Note (vi))	<b>(4,148)</b>	(2,156)
Tax effect of unused tax losses not recognised	<b>491</b>	–
Withholding tax on distributed earnings	<b>1,350</b>	–
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note (iv))	<b>415</b>	–
Others	<b>–</b>	2,546
Actual tax expense	<b>1,608</b>	12,381

Notes:

- (i) The Company and the subsidiary of the Group incorporated in the British Virgin Islands (the “BVI”) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2021 (2020: 16.5%). This company did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2021 (2020: RMB Nil).
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2021 (2020: 25%).
- (iv) Certain subsidiaries of the Group established in the PRC obtained approvals from the tax bureaux in 2021 that they are entitled to tax benefits applicable to entities under the Third Phase of the Western Region Development Plan of the PRC, and enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2021 to 2030.
- (v) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “High and New Technology Enterprise” (“HNTE”) which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Xi’an Tianrui Automotive Interiors Co., Ltd., a subsidiary of the Group, is qualified as a HNTE and the qualification is valid for three years from 2019 to 2021.
- (vi) According to the relevant tax rules in the PRC, qualified research and development costs, are allowed for bonus deduction for income tax purpose. i.e. an additional 100% (2020: 75%) of such expenses could be deemed as deductible expenses.

## 7 Earnings per share

### (a) *Basic earnings per share*

The basic earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to equity shareholders of the Company of RMB7,329,000 (2020: RMB50,874,000) and the weighted average of 2,000,000,000 (2020: 2,000,000,000) ordinary shares.

The calculation of the weighted average number of ordinary shares are as follows:

	<i>2021</i>	<i>2020</i>
Issued ordinary shares at 1 January	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Weighted average number of ordinary shares at 31 December	<u><u>2,000,000,000</u></u>	<u><u>2,000,000,000</u></u>

### (b) *Diluted earnings per share*

There were no dilutive potential shares outstanding during the years ended 31 December 2021 and 2020.

## 8 Trade and bills receivables

	<i>31 December</i> <i>2021</i> <b>RMB'000</b>	<i>31 December</i> <i>2020</i> RMB'000
Trade receivables, net of loss allowance	<b>73,388</b>	131,660
Bills receivables	<u><b>92,742</b></u>	<u>123,302</u>
	<u><u><b>166,130</b></u></u>	<u><u>254,962</u></u>

All of the trade and bills receivables, net of loss allowance for doubtful debts (if any), are expected to be recovered within one year.

**(a) Ageing analysis**

At the end of reporting period, the ageing analysis of trade and bills receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Less than 3 months	<b>126,820</b>	216,239
3 to 6 months	<b>23,556</b>	36,338
6 to 12 months	<b>11,516</b>	2,385
more than 1 year	<b>4,238</b>	–
	<b>166,130</b>	254,962

**9 Trade and bills payables**

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables	<b>64,287</b>	141,640
Bills payables	<b>67,575</b>	81,748
	<b>131,862</b>	223,388

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

At the end of reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	<i>2021</i> RMB'000	<i>2020</i> RMB'000
Less than 3 months	59,433	117,293
3 to 6 months	54,784	99,238
6 to 12 months	15,670	6,169
Over 1 year	1,975	688
	<u>131,862</u>	<u>223,388</u>

## 10 Capital and dividends

### (a) Share capital

	<i>2021</i>		<i>2020</i>	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>

	<i>2021</i>		<i>2020</i>	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	2,000,000,000	17,522	2,000,000,000	17,522
At 31 December	<u>2,000,000,000</u>	<u>17,522</u>	<u>2,000,000,000</u>	<u>17,522</u>

**(b) Dividends**

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

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Final dividend proposed after the end of the reporting period of HK\$Nil per ordinary share (2020: HK\$0.6 cents per ordinary share)	—	10,024
	<u>—</u>	<u>10,024</u>
	<u>—</u>	<u>10,024</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Final dividend in respect of the previous financial year, approved and paid/payable during the year	<u>10,024</u>	<u>10,825</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

For 2022, under the background of routinized epidemic prevention and control, China will face a complicated economic situation and changing market pressure. Due to the impact of full switch to new emission standards in July 2021, it is expected that the sales of heavy trucks may show an upward trend throughout the year of 2022. With the alleviation of chip supply shortage and a concentrated release of consumer demand, the sales curve of the passenger vehicle market is also expected to show an upward trend in 2022. Despite significant uncertainties, China's automobile industry, as a pillar industry, will play its role in stabilizing the fundamentals of economic development. Therefore, adjustments to the macroeconomic policy will continue to benefit the automobile industry.

### BUSINESS REVIEW

We are the largest heavy trucks' interior decorative components and parts manufacturer in North West China with a market-leading position. Our products primarily comprise a wide array of automotive interior decorative components and parts and to a lesser extent exterior decorative components and parts, which are designed to be installed on heavy trucks or passenger vehicles. We offer design and development solutions tailored to meet our customers' specific requirements of automotive interior decorative products including functional specifications and appearance.

The Group is principally engaged in the manufacture and sale of automotive interior and exterior decorative components and parts. Set forth below is the breakdown of our revenue by product category for the years ended 31 December 2021 and 2020:

	<i>Year ended 31 December</i>			
	<i>2021</i>		<i>2020</i>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Heavy trucks' decorative components and parts	<b>269,196</b>	<b>91.01</b>	332,448	87.6
Passenger vehicles' decorative components and parts	<b>26,580</b>	<b>8.99</b>	47,107	12.4
Total	<b>295,776</b>	<b>100.0</b>	<b>379,555</b>	<b>100.0</b>

#### Revenue from sales of heavy trucks' decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts decreased from approximately RMB332.4 million for the year ended 31 December 2020 to approximately RMB269.2 million for the year ended 31 December 2021, representing a decrease of approximately 19.0%, mainly due to the decline of the sales volume of heavy truck nationwide in 2021. The overall impact on the heavy truck industry has led to a decrease in the revenue of the Group.

## **Revenue from sales of passenger vehicles' decorative components and parts**

Revenue generated from sales of passenger vehicles' decorative components and parts decreased from approximately RMB47.1 million for the year ended 31 December 2020 to approximately RMB26.6 million for the year ended 31 December 2021, representing a decrease of approximately 43.6%. The decrease was mainly due to our reduction in the supply of low-margin products to multi-tier suppliers, while expanding products supply to automobile plants as the first-tier supplier.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue decreased from approximately RMB379.6 million for the year ended 31 December 2020 to approximately RMB295.8 million for the year ended 31 December 2021, representing a decrease of approximately 22.1%. The decrease was primarily due to the drop in sales of our heavy trucks' decorative components and parts and passenger vehicles' decorative components and parts.

### **Gross profit and gross profit margin**

Our gross profit decreased from approximately RMB116.9 million for the year ended 31 December 2020 to approximately RMB70.6 million for the year ended 31 December 2021, representing a decrease of approximately 39.6%. For the year ended 31 December 2021, our overall gross profit margin decreased by approximately 6.9% as compared with that in 2020, mainly due to the lower selling price for products, higher purchase price for some raw materials and higher fixed costs such as depreciation.

### **Other income**

Our other income decreased from approximately RMB6.5 million for the year ended 31 December 2020 to approximately RMB3.9 million for the year ended 31 December 2021, representing a decrease of approximately 39.7%, which was mainly due to the decrease of RMB2.7 million in net gain from the sales of medical goggles and scrap materials in 2021 compared with that of 2020.

### **Selling and distribution expenses**

Our selling and distribution expenses decreased from approximately RMB9.7 million for the year ended 31 December 2020 to approximately RMB9.0 million for the year ended 31 December 2021, representing a decrease of approximately 7.5%. The decrease was mainly due to the decrease in transportation costs as a result of the decrease in our sales volume.

### **Administrative expenses**

Our administrative expenses increased from approximately RMB41.3 million for the year ended 31 December 2020 to approximately RMB47.1 million for the year ended 31 December 2021, representing an increase of 14.2%, which was mainly due to the increase in the research and development expenses and employee benefit costs in 2021. The local government has granted the exemption of payment of defined contribution retirement plans to our subsidiaries established in the PRC due to the impact from COVID-19 during the period from February 2020 to December 2020, but there was no such favourable policy in 2021.

### **Finance costs**

Our finance costs decreased from approximately RMB9.8 million for the year ended 31 December 2020 to approximately RMB9.4 million for the year ended 31 December 2021, representing a decrease of approximately 4.0%. The decrease was mainly due the decrease in capital needed for daily operating activities such as purchases arising from the decrease in the sales revenue in 2021.

### **Income tax**

Our income tax expense decreased from approximately RMB12.4 million for the year ended 31 December 2020 to approximately RMB1.6 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease in profit before taxation during the period.

### **Profit for the year**

As a result of the foregoing, our profit for the year decreased from approximately RMB50.9 million for the year ended 31 December 2020 to approximately RMB7.3 million for the year ended 31 December 2021.

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

The operating capital of the Group was mainly from cash from operating activities and bank and other loans. As at 31 December 2021 and 2020, cash and cash equivalents of the Group were approximately RMB62.5 million and RMB56.6 million, respectively.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies.

## Bank and Other Loans

Bank and other loans increased from approximately RMB96.0 million as at 31 December 2020 to approximately RMB133.8 million as at 31 December 2021. Among them, the bank and other loans in the amounts of approximately RMB93.8 million (2020: RMB58.0 million) were secured by trade receivables and bills receivables, property, plant and equipment of the Group, and the credit loans and the loans guaranteed by third party amounted to approximately RMB40.0 million (2020: RMB38.0 million).

## Gearing Ratio

The gearing ratio as at 31 December 2020 and 2021 were at 35.6% and 50.2%, respectively.

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

## Inventories

Our inventories decreased from approximately RMB78.5 million as at 31 December 2020 to approximately RMB60.2 million as at 31 December 2021, representing a decrease of approximately 23.2%. The decrease was mainly due to the decrease in the volume of inventories as a result of the decrease in the sales order in the second half of 2021.

## Prepayments for acquisitions of property, plant and equipment

Our prepayment for acquisitions of property, plant and equipment decreased from approximately RMB9.9 million for the year ended 31 December 2020 to approximately RMB6.3 million for the year ended 31 December 2021, representing a decrease of approximately 36.8%. The decrease was mainly due to the fact that the prepayments made in 2020 have been reclassified to the property, plant and equipment in 2021.

## Secured Assets

Certain of the Group's bank and other loans are secured by the following assets of the Group:

	<b>2021</b>	<i>2020</i>
	<b>RMB'000</b>	RMB'000
Property, plant and equipment	<b>112,144</b>	84,576
Trade and bills receivables	<b>25,090</b>	30,625
	<b>137,234</b>	115,201

## **Capital Expenditure**

As at 31 December 2021, the capital expenditures were approximately RMB49.9 million (2020: approximately RMB36.9 million). The capital expenditures incurred for the year ended 31 December 2021 primarily related to the purchase of new machinery and equipment.

## **Capital Commitments**

As at 31 December 2021, the capital commitments in respect of property, plant and equipment contracted for approximately RMB16.0 million (2020: approximately RMB26.5 million).

## **Contingent Liabilities**

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: RMB Nil).

## **FLUCTUATION OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS**

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation.

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. The Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent.

## **SIGNIFICANT INVESTMENTS HELD, 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.

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

## **EMPLOYEE AND REMUNERATION POLICIES**

For the year ended 31 December 2021, the average number of employees of the Group was 540 (2020: 663). For the year ended 31 December 2021, the Group incurred total staff costs of approximately RMB50.7 million (2020: approximately RMB50.1 million), representing an increase of approximately 1% as compared with those in 2020. The increase was mainly due to (i) an increment of staff salaries as our Group actively expanding new projects, increasing R&D investments and introducing high-level talent teams; and (ii) the absence of exemption of payment of defined contribution retirement plans granted by the local government to our subsidiaries established in the PRC due to COVID-19 during the period in the current year as compared with the corresponding period in 2020.

The remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salaries and other benefits, discretionary bonuses, retirement benefits scheme contributions.

In order to retain and develop the knowledge, skill level and quality of our employees, the Group places a strong emphasis on training our employees. In addition, the Group offers a competitive remuneration package to retain elite employees, and reviews the package annually according to industry benchmark and financial results as well as the individual performance of employees.

## **MAJOR SUBSEQUENT EVENTS**

By the end of 31 December 2021, the ongoing COVID-19 pandemic and the outbreaks in some provinces in the PRC has brought uncertainties in the Group's operating environment and has certainly impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. In view of the epidemic-driven economic downturn, the Group assessed the situation and adhered to the principles of reducing costs and enhancing operational efficiency.

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

For the year ended 31 December 2021 and up to the date of this announcement, neither our Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities.

## **FUTURE PROSPECTS**

Looking forward to 2022, in response to the increasingly fierce market competition, the Group will take the initiative to expand new customers, continue to strengthen new product development with existing customers and continuously diversify product mix, so as to enhance core competitiveness. With the experience, technical expertise and knowledge accumulated over years, we analyzed the latest technology trends and launched new products. Currently, we have obtained new projects such as rearview mirror and bumper assembly, and have completed the Standard Operating Procedure. We will focus on standardization, automation, informatization and systematic construction in future, so as to boost the growth of sales revenue and continuous improvement of the management system.

## **IN COMPLIANCE WITH THE CORPORATE GOVERNMENT CODE**

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our Company with effect from the Listing Date, save for the following deviation:

Pursuant to code provision A.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, Mr. Hou Jianli currently performs the roles as the chairman and general manager. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more efficient overall strategic planning for our Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable our Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of our Group, the Board will continue to review and consider whether the duties of the chairman and general manager should be separated.

## **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 10 to the Listing Rules as the Company’s code of conduct regarding Directors’ and employees’ securities transactions. Upon specific enquiries, all Directors and members of the senior management confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this announcement.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of Group’s consolidated statement of financial position as at 31 December 2021, 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 ended 31 December 2021. 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 the preliminary announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “**AGM**”) will be held on 10 June 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.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 June 2022 to 10 June 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 at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on 6 June 2022, being the business day before the first day of closure of the register of members.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company had reviewed together with the management and the auditor of the Company the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including the annual results and the audit of the consolidated financial statements for the year ended 31 December 2021.

## **PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at <http://www.trqcns.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  
**China Tianrui Automotive Interiors Co., LTD**  
**Hou Jianli**  
*Chairman*

Xi'an, the PRC, 29 March 2022

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Hou Jianli and Ms. Hou Yuxi, and three independent non-executive Directors, namely Mr. Zhu Hongqiang, Mr. Zhou Genshu and Mr. Chen Geng.*