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中國汽車內飾集團有限公司

CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0048)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of Directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 together with the comparative figures for the preceding financial year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue	5	181,701	141,626
Cost of sales		(157,662)	(128,141)
Gross profit		24,039	13,485
Other gains or losses	6	7,318	5,872
Selling and distribution costs		(5,958)	(4,014)
Share of result of an associate		330	2,622
Net allowance for expected credit losses		(478)	(6,097)
Administrative expenses		(23,567)	(15,681)
Profit/(Loss) from operations	7	1,684	(3,813)
Finance costs	8	(1,859)	(2,473)
Loss before tax		(175)	(6,286)
Income tax credit	9	(235)	2,396
Loss for the year attributable to the owners of the Company		(410)	(3,890)

	<i>Note</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Loss for the year		(410)	(3,890)
Other comprehensive (expense)/income for the year, net of income tax:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(2,049)	(3,299)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(4,937)	788
Total other comprehensive expense for the year		(6,986)	(2,511)
Total comprehensive expense for the year attributable to the owners of the Company		(7,396)	(6,401)
		RMB	RMB (Restated)
Loss per share			
– Basic and diluted	<i>10</i>	0.29 cents	4.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		40,870	44,382
Right-of-use assets		6,706	8,551
Interest in an associate		13,840	13,714
Deferred tax assets		3,905	3,943
		<u>65,321</u>	<u>70,590</u>
Current assets			
Inventories		30,593	31,183
Trade receivables	12	152,077	128,612
Bills receivables		3,921	6,783
Prepayments, deposits and other receivables		29,242	24,174
Financial assets at fair value through profit or loss		38,105	27,142
Cash and bank balances		24,583	26,820
		<u>278,521</u>	<u>244,714</u>
Total assets		<u>343,842</u>	<u>315,304</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	3,476	1,984
Reserves		186,232	174,080
Total equity		<u>189,708</u>	<u>176,064</u>

	<i>Note</i>	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> <i>(Audited)</i>
LIABILITIES			
Non-current liability			
Lease liabilities		<u>2,180</u>	<u>3,727</u>
		<u>2,180</u>	<u>3,727</u>
Current liabilities			
Trade payables	<i>13</i>	40,594	25,802
Accruals and other payables		13,324	11,408
Contract liabilities		30,007	20,110
Bank borrowings		30,000	40,000
Lease liabilities		2,728	2,608
Tax payable		35,301	35,585
		<u>151,954</u>	<u>135,513</u>
Total liabilities		<u>154,134</u>	<u>139,240</u>
Total equity and liabilities		<u>343,842</u>	<u>315,304</u>
Net current assets		<u>126,567</u>	<u>109,201</u>
Total assets less current liabilities		<u>191,888</u>	<u>179,791</u>
Net assets		<u>189,708</u>	<u>176,064</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

China Automotive Interior Decoration Holdings Limited (the “Company”) was a public limited company incorporated in Cayman Islands on 9 December 2009 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate controlling party is Mr. Zhuang Yuejin, who is also the Chairman and Managing Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts, trading of rubber and food products.

The Company’s functional currency is Hong Kong dollars (“HK\$”). However, the consolidated financial statements are presented in Renminbi (“RMB”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group’s transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated of financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(A) Amendments to HKFRSs that are mandatorily effective for the current year

The following new and amendments to HKFRSs and new interpretation have been adopted by the Group for the first time for the current accounting period, beginning on 1 January 2021.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(B) News and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendment to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 8	Accounting Estimates	1 January 2023
Amendments to HKAS 12	Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a single Transaction	1 January 2023
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) Amendment to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19-related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to most rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

A lessee is required to apply the amendments retrospectively, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

(b) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

Information reported to the Directors being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The Group's operating and reportable segments are as follows:

- (i) the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts; and
- (ii) the supply and procurement operation segment including trading of rubber and food products.

Segment revenue and results

	Supply and procurement operation		Manufacture and sale of nonwoven fabric related products		Total	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Segment revenue:						
Sales to external customers	<u>17,171</u>	<u>32,931</u>	<u>164,530</u>	<u>108,695</u>	<u>181,701</u>	<u>141,626</u>
Segment results	<u>(1,474)</u>	<u>2,027</u>	<u>124</u>	<u>(6,416)</u>	<u>(1,350)</u>	<u>(4,389)</u>
Unallocated corporate incomes					<u>7,318</u>	2,555
Unallocated corporate expenses					<u>(4,284)</u>	<u>(1,979)</u>
Profit/(Loss) from operations					<u>1,684</u>	<u>(3,813)</u>
Finance costs					<u>(1,859)</u>	<u>(2,473)</u>
Loss before tax					<u>(175)</u>	<u>(6,286)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2021 and 2020.

Segment results represent the profit or loss from each segment without allocation of interest income, fair value gain on financial assets at fair value through profit or loss, share of result of an associate and central operating expenses including staff costs, finance costs and income tax credit. This is the measure reported to the chief operating decision marker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Supply and procurement operation		Manufacture and sale of nonwoven fabric related products		Total	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
ASSETS						
Segment assets	24,715	26,924	260,776	254,480	285,491	281,404
Unallocated corporate assets					58,351	33,900
Total assets					<u>343,842</u>	<u>315,304</u>
LIABILITIES						
Segment liabilities	2,859	4,816	118,102	101,316	120,961	106,132
Unallocated corporate liabilities					33,173	33,108
Total liabilities					<u>154,134</u>	<u>139,240</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segment other than corporate financial assets including financial assets at fair value through profit or loss, interest in an associate and corporate cash and bank balances.
- all liabilities are allocated to reportable segments other than corporate financial liabilities including accruals and other payables.

Other segment information

The following is the analysis of the Group's other segment information:

	Supply and procurement operation		Manufacture and sale of nonwoven fabric related products		Total	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Capital expenditure	-	-	3,529	292	3,529	292
Depreciation of property, plant and equipment	-	-	6,434	6,058	6,434	6,058
Depreciation on right-of-use assets	356	377	2,413	1,861	2,769	2,238
Write-down of inventories	-	-	752	493	752	493
(Reversal of allowance)/Allowance for expected credit losses recognised on trade receivables, net	1,008	(999)	(3,363)	8,282	(2,355)	7,283
(Reversal of allowance)/Allowance for expected credit losses recognised on other receivables, net	(1,201)	(1,412)	4,034	226	2,833	(1,186)
Loss on disposal of property, plant and equipment	-	-	167	12	167	12

Revenue from major products and services

Information about the Group's major products is set out in Note 5.

Geographical information

The Group's operations are located in the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		Non-current assets*	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
The PRC	171,249	130,850	47,518	52,512
Hong Kong	10,452	10,776	58	421
	<u>181,701</u>	<u>141,626</u>	<u>47,576</u>	<u>52,933</u>

* Non-current assets exclude interest in an associate and deferred tax assets.

Information about major customers

For the year ended 31 December 2021, revenue generated from one (2020: one) customer from manufacture and sale of nonwoven fabric related products segment of the Group amounting to approximately RMB55,204,000 (2020: RMB15,933,000) has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2021 and 2020.

5. REVENUE

The Group's revenue represents sales of nonwoven fabric related products used in automotive interior decoration parts and other parts, rubber and food products.

An analysis of revenue by types of goods as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Nonwoven fabric related products for use in automobiles:		
– Sales of automotive floor carpets	157,976	40,027
– Sales of other automotive parts	6,554	68,668
Supply and procurement operation:		
– Sales of rubber	6,719	8,366
– Sales of food products	10,452	24,565
Total revenue recognised at a point in time	<u>181,701</u>	<u>141,626</u>

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER GAINS OR LOSSES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest income	32	37
Fair value gain on financial assets at fair value through profit or loss	2,612	2,518
Realised gain on disposal of financial asset at fair value through profit or loss	3,594	–
Others (<i>note</i>)	1,080	3,317
	<u>7,318</u>	<u>5,872</u>

Note: Included the amounts of sales of scrap raw materials for the year ended 31 December 2020 amounted to approximately RMB3,265,000.

7. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is stated after charging/(crediting) the following:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Auditors' remuneration	408	750
Depreciation of property, plant and equipment	6,434	6,058
Depreciation of right-of-use assets	2,769	2,238
Expenses for short term leases	301	232
Staff costs including directors' remuneration:		
– Salaries and other benefits	16,404	17,577
– Share based payment expenses	2,218	1,002
– Retirement benefits scheme contributions	2,191	2,578
Cost of inventories recognised as cost of sales	157,662	128,141
Loss on disposal of property, plant and equipment	167	12
Write-down of inventories	752	493
(Reversal of allowance)/Allowance for expected credit losses on trade receivables	(2,355)	7,283
Allowance/(Reversal of allowance) for expected credit losses on other receivables	2,833	(1,186)
Research and development expenditure (<i>Note 1</i>)	961	1,097
	<u>961</u>	<u>1,097</u>

Note:

- The amounts included in cost of sales for the year ended 31 December 2021 amounted to approximately RMB961,000 (2020: RMB1,097,000).

8. FINANCE COSTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest expenses on bank borrowings wholly repayable within five years	1,523	1,911
Interest expenses on lease liabilities	336	283
Interest expenses on convertible bonds	—	279
	<u>1,859</u>	<u>2,473</u>

9. INCOME TAX CREDIT

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current tax		
Hong Kong	—	—
PRC enterprise income tax (“EIT”)	157	(287)
	<u>157</u>	<u>(287)</u>
Deferred tax		
Credited to the consolidated statement of profit or loss and other comprehensive income	78	(2,109)
	<u>235</u>	<u>(2,396)</u>

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC EIT is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiary of the Group with certain tax preference, based on existing legislation, interpretation and practice in respect thereof.

Pursuant to the enterprise income tax rules and regulations of the PRC, the applicable PRC EIT rate of the Group’s PRC subsidiary for the years ended 31 December 2021 and 2020 is 25%.

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately RMB410,000 (2020: approximately RMB3,890,000) and the weighted average number of ordinary shares of 143,261,786 (2020: 84,191,573) in issue during the year.

Diluted loss per share

For the year ended 31 December 2020, diluted loss per share is the same as the basic loss per share because the effects of the Company's outstanding share options and conversion of convertible bonds were anti-dilutive.

For the year ended 31 December 2021 diluted loss per share is the same as the basic loss per share because the effects of the Company's outstanding share options were anti-dilutive.

11. DIVIDEND

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

12. TRADE RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables	166,098	144,989
Less: allowance for expected credit losses	<u>(14,021)</u>	<u>(16,377)</u>
	<u>152,077</u>	<u>128,612</u>

The aging analysis of trade receivables, based on the invoice date, and net of allowance for expected credit losses, is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
0 to 90 days	105,369	76,587
91 to 180 days	33,215	25,027
181 to 365 days	13,493	8,395
Over 365 days	<u>–</u>	<u>18,603</u>
	<u>152,077</u>	<u>128,612</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days, depending on the creditworthiness of customers and the existing relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

13. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice dates, is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
0 to 90 days	22,859	10,155
91 to 180 days	2,277	1,970
181 to 365 days	678	123
Over 365 days	14,780	13,554
	<u>40,594</u>	<u>25,802</u>

Trade payables generally have credit terms ranging from 10 days to 60 days.

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>	Amount <i>RMB'000</i>
Authorised:			
Ordinary shares of HK\$0.5 each			
At 1 January 2020	2,000,000,000	1,000,000	863,495
Capital reduction (<i>note (i)</i>)	198,000,000,000	–	–
Share consolidation (<i>note (ii)</i>)	(160,000,000,000)	–	–
	<u>40,000,000,000</u>	<u>1,000,000</u>	<u>863,495</u>
Ordinary shares of HK\$0.025 each			
At 31 December 2020 and 31 December 2021	<u>40,000,000,000</u>	<u>1,000,000</u>	<u>863,495</u>
Issued and fully paid:			
At 1 January 2020	398,131,200	199,065	163,359
Capital reduction (<i>note (i)</i>)	–	(197,074)	(161,725)
Issue of shares upon conversion of convertible bonds (<i>note (iii)</i>)	79,626,240	398	350
Share consolidation (<i>note (ii)</i>)	(382,205,952)	–	–
	<u>95,551,488</u>	<u>2,389</u>	<u>1,984</u>
At 31 December 2020	<u>95,551,488</u>	<u>2,389</u>	<u>1,984</u>
Issue of shares upon placing (<i>note (iv)</i>)	71,663,616	1,791	1,492
	<u>167,215,104</u>	<u>4,180</u>	<u>3,476</u>
At 31 December 2021	<u>167,215,104</u>	<u>4,180</u>	<u>3,476</u>

Note:

- (i) On 3 March 2020, the par value of the ordinary shares of HK\$0.50 each is reduced to HK\$0.005 each by cancelling the paid-up capital to the extent of HK\$0.495 each of the shares.
- (ii) On 30 September 2020, the share consolidation became effective on the basis of every five issued and unissued ordinary shares of par value HK\$0.005 each in the share capital of the Company being consolidated into one consolidated share of par value of HK\$0.025 each.
- (iii) On 2 September 2020, convertible bonds were converted of the principal amount of HK\$1,372,218 into 18,296,240 shares at the conversion price of HK\$0.075 per share.

On 9 September 2020, convertible bonds were converted of the principal amount of HK\$600,000 into 8,000,000 shares at the conversion price of HK\$0.075 per share.

On 22 September 2020, convertible bonds were converted of the principal amount of HK\$1,575,000 into 21,000,000 shares at the conversion price of HK\$0.075 per share.

On 24 September 2020, convertible bonds were converted of the principal amount of HK\$1,425,000 into 19,000,000 shares at the conversion price of HK\$0.075 per share.

On 25 September 2020, convertible bonds were converted of the principal amount of HK\$999,750 into 13,330,000 shares at the conversion price of HK\$0.075 per share.

- (iv) On 3 May 2021, the Company placed 71,663,616 new shares at a price of HK\$0.32 per placing share.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts, the trading of rubber and food products. The Group deploys financial resource to securities investment and fund investment to achieve earnings in the form of capital appreciation and income from dividends. The Group also taps into the business of financial services through the investment in a securities house.

Manufacture and sale of nonwoven fabric related products

Manufacture and sale of nonwoven fabric related products is one of the principal business of the Group. The Group manufactures its products with single layer or multiple layers of nonwoven fabric in accordance with specific requirements and standards of different customers. Most of the customers of nonwoven fabric related products are primary manufacturers and suppliers of automotive parts in the PRC. The majority of the Group’s products are further processed by these customers in order to make different automotive parts such as floor, head lining, seat cover, parcel tray, trunk, luggage-side trim, hubcap and car-mat, which are of different characteristics and are to be applied for different usages in passenger vehicles.

According to the statistics released from China Association of Automobile Manufacturers (“CAAM”), the production and sales of passenger vehicles in the PRC were approximately 21,408,000 units and 21,482,000 units respectively for the year ended 31 December 2021, representing an increase of approximately 7.1% and 6.5%. These favorable growth in passenger vehicles market resulted in a stable demand for automotive materials of the Group during 2021.

In order to diversify the Group’s existing business portfolio and broaden its source of income in automotive industry, the Group set up new production lines in Jilin Province, the PRC in the second half of 2021 for the supply of the automotive components (the “Automotive Components”) to a components supplier of an automotive manufacturer under the brand “FAW Toyota” (the “Components Supplier”).

Supply and procurement operation

The Group commenced its business of rubber trading since 2012 and the quoted price of rubber was generally varied according to the tendency of the commodities markets. To manage the risk, the Group mainly carried out that business in back-to-back model. As the significant fluctuation in price of top commodities, crude oil, the Group only accepted the orders with lower default risk.

Since 2016, the Group resumed the business of trading of food products such as dairy products, flour-based products and nuts which generated steady income to the Group for the year ended 31 December 2021.

Interest in an associate

The Company through a joint venture company indirectly hold 42% of the equity interest in GEO Securities Limited (“GEO Securities”) and classified as “interest in an associate” at 31 December 2021. GEO Securities has the licenses to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (Asset Management) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong. The Group shared a profit of an associate of approximately RMB0.3 million for the year ended 31 December 2021.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the years ended 31 December 2021 and 2020 was illustrated as follows:

	Year ended 31 December	
	2021 <i>RMB’000</i> (Unaudited)	2020 RMB’000 (Audited)
Nonwoven fabric related products for use in automobiles		
– Sales of automotive floor carpets	157,976	40,027
– Sales of other automotive parts	6,555	68,668
Sales of rubber	6,718	8,366
Sales of food products	10,452	24,565
	<u>181,701</u>	<u>141,626</u>

For the year ended 31 December 2021, the Group’s revenue increased to approximately RMB181.7 million, compared to approximately RMB141.6 million in 2020, representing an increase of approximately 28.2%. The increase in the Group’s revenue was mainly attributable to the increase in revenue of manufacturing and sale of nonwoven fabric related products.

Gross profit

For the year ended 31 December 2021, the Group’s gross profit increased by approximately 3.71% to approximately RMB24.0 million. The increase was mainly due to the increase in the Group’s revenue.

Other gain or losses

For the year ended 31 December 2021, the Group’s other gain or losses increased by approximately RMB1.4 million from approximately RMB5.9 million in 2020 to approximately RMB7.3 million in 2021. The increase was mainly due to realised gain on financial assets at fair value through profit or loss of approximately RMB3.6 million in 2021.

Administrative expenses

For the year ended 31 December 2021, the Group's administrative expenses mainly consist of employee benefits expenses including Director's emoluments and staff costs of approximately RMB8.4 million, share based payment expenses of approximately RMB2.2 million, depreciation of right-of-use assets of approximately RMB2.8 million. As the increase in the Group's revenue, the Group's administrative expenses increased by approximately RMB7.9 million to approximately RMB23.7 million.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB0.4 million for the year of 2021 compared with a loss of approximately RMB3.9 million for the corresponding period of 2020. The changes are primarily attributable to the increase in sales volume of nonwoven fabric related automotive components and the increase in realised gain on financial assets at fair value through profit or loss during the year ended 31 December 2021.

PROSPECT AND OUTLOOK

The Board expects that 2022 will be a challenging year for the business of manufacturing and sale of nonwoven fabric related products as the continuously increase in production costs for maintaining competitiveness and enhancing safety requirements to cope with the development of the automotive industry.

To maintain competitiveness, the Group will still deploy its resources on:

- (1) upgrading the production lines in order to improve the production efficiency;
- (2) installing new machineries to suit the customers' varying requirements and demands on high-end products;
- (3) conducting research and development to keep up with the latest technological trends in relation to product specifications; and
- (4) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric related products industry in the PRC.

As a result of the increasing risk of volatility in rubber price since the fluctuation in price of crude oil, the Group would be cautious in accepting orders to avoid any downside exposure. For the business of trading of food products, the Group will continue to find new customers to strengthen its customer base.

In addition, the Group will continue to adopt a prudent approach to manage its money lending business and on the other hands to seek for opportunities to expand this operation.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will look for potential investment opportunities to diversify its business scope.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2021 (2020: Nil).

RAISING OF FUNDS AND USE OF PROCEEDS

On 16 February 2021, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place up to 71,663,616 placing shares at a price of HK\$0.32 per placing share (the “**Placing**”). The placing shares were allotted and issued on 3 May 2021. Net proceeds from the Placing was approximately HK\$22.3 million (the “**Net Proceeds**”) which was intended to be applied as to (i) approximately HK\$10.3 million for repaying the bank borrowings; and (ii) approximately HK\$12.0 million for installation and general working capital of the business in Automotive Components. At 31 December 2021, the application of Net Proceeds and the expected time frame for application of the unutilised proceeds as follows:

Nature	Original intended use of proceeds <i>HK\$'000</i>	Actual use of proceeds up to 31 December 2021 <i>HK\$'000</i>	Remaining balance at 31 December 2021 <i>HK\$'000</i>	Expected timeline of full application of the remaining proceeds <i>HK\$'000</i>
(i) Repaying the bank borrowings	10,300	10,300	-	-
(ii) Installation and general working capital of the business in Automotive Components	12,000	9,024	2,976	Before 30 June 2022
	<u>22,300</u>	<u>19,324</u>	<u>2,976</u>	

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internal cash resources and bank financing during 2021. On 3 May 2021, the Company placed 71,663,616 new shares at placing price of HK\$0.32 per placing share and raised a fund of approximately HK\$22.3 million. At 31 December 2021, cash and bank balances of the Group amounted to approximately RMB24.6 million (2020: RMB26.8 million), and approximately RMB16.8 million (2020: RMB15.7 million) of which are denominated in Hong Kong dollars and United States dollars.

At 31 December 2021, the Group's liquidity ratio, represented by the ratio of current assets over current liabilities, and gearing ratio, represented by the ratio of total liabilities to total assets, were 1.83 (2020: 1.81) and 0.45 (2020: 0.44) respectively.

CAPITAL STRUCTURE

Except for those disclosed under the section “RAISING OF FUNDS AND USE OF PROCEEDS”, there has been no material change in the capital structure of the Group since 31 December 2021.

FOREIGN EXCHANGE EXPOSURE

Majority of the assets and liabilities of the Group were denominated in Renminbi, United States dollars and Hong Kong dollars. At 31 December 2021, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2021, the Group held (i) approximately 4.5 million shares (approximately 1.9%) of Tai Kam Holdings Limited (“TK”), (ii) approximately 5.5 million shares (approximately 3.3%) of Harbour Digital Asset Capital Limited (“HD”) and (iii) approximately 22.8 million shares (approximately 3.2%) of Wealth Glory Holdings Limited (“WG”). TK, HD and WG were the companies listed on the Hong Kong Stock Exchange. TK is principally engaged in construction business mainly site formation works and renovation works in Hong Kong. HD is principally engaged in the investments in listed and unlisted securities. WG is principally engaged in trading of natural resources and commodities; money lending business; development and promotion of brands, design, manufacture and sale of trendy fashion merchandises and other consumer products; and investment in securities.

The Group also held a discretionary investment fund (“Discretionary Fund”) as financial assets at fair value through profit or loss. The investment in the Discretionary Fund was approved by the shareholders of the Company at the general meeting of the Company held on 16 February 2016. The Discretionary Fund is managed by a corporation licensed under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong). The investment objective of the Discretionary Fund is to generate income and/or achieve capital appreciation through investing in a variety of the authorized investments.

The Group’s investment in TK, HD, WG and the Discretionary Fund were collectively referred to as the “Significant Investments”.

Detail of the Significant Investments are as follows:

	Year ended 31 December 2021	At 31 December 2021		At 31 December 2020
	Fair Value gain/(loss) <i>RMB’000</i> (Unaudited)	Fair Value <i>RMB’000</i> (Unaudited)	Approximate percentage to the total assets (Unaudited)	Fair Value <i>RMB’000</i> (Audited)
TK	654	4,768	1.4%	–
HD	3,312	3,927	1.1%	696
WG	1,100	3,902	1.1%	–
Discretionary Fund	(2,684)	14,750	4.3%	17,961

Except the above, at 31 December 2021, there was no investment held by the Group which value was more than 1% of the total assets of the Group.

Looking ahead, the value of the Significant Investments may be susceptible to the overall equity market conditions.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2021.

PLEDGE ON ASSETS

At 31 December 2021, the Group's buildings with a carrying amounts of approximately RMB4.8 million (2020: RMB5.1 million) and leasehold land with a carrying amounts of approximately RMB2.3 million (2020: RMB2.4 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2021, the Group employed a total of 223 employees (2020: 220). The remuneration policy of the employees of the Group was set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

A remuneration committee was set up for, inter alia, reviewing the Group's remuneration policy and structure for all directors and senior management of the Group.

DIRECTORS' SERVICE CONTRACTS

None of the Directors, including those proposed for re-election at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the year.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("**Code**") in Appendix 14 to the Listing Rules. A new Corporate Governance Code (the "**New CG Code**") as set out in existing Appendix 14 to the Listing Rules has come into effect on 1 January 2022, their requirements are applicable to the financial year commencing on 1 January 2022. Currently, the Company has adopted the code provisions on Corporate Governance Code and Corporate Governance Report as set out in the previous Appendix 14 to the Listing Rules before the New CG Code came into effect.

Except for the deviation from Code provision A.2.1, A.6.7 and E.1.2, the Company complied with the Code for the year ended 31 December 2021.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhuang Yuejin is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

Code provision A.6.7 and E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting and non-executive Directors should attend general meetings of the Company. Owing to other business engagements, the Chairman of the Board, Mr. Zhuang Yuejin and three independent non-executive directors, Mr. Mak Wai Ho, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan, was unable to attend the annual general meeting of Company held on 30 June 2021 (the "AGM"). However, the senior management and the executive Directors of the Company subsequently reported to them on the enquiries from the shareholders of the Company in the general meetings for them to gain and develop a balanced understanding of the views of shareholders of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 13 September 2010 with written terms of reference in compliance with the Listing Rules. At 31 December 2021, the audit committee comprises three independent non-executive Directors, namely Mr. Mak Wai Ho (chairman of the audit committee), Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.

PUBLICATION OF 2021 UNAUDITED AND AUDITED ANNUAL RESULTS AND 2021 ANNUAL REPORT

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak and the auditor of the Company is unable to obtain certain necessary documents and information (including but not limited to audit confirmation letters) to complete the audit verification procedures. The unaudited results contained herein have not been agreed by the Company's auditor. An announcement relating to the Group's audited results, including the consolidated financial statements and its audit opinions thereon, would be finalized upon the completion of the auditing process in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company expects the auditing process will be completed on or before 15 April 2022.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Company for the year ended 31 December 2021 and also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters. Other members of the Board who are not in the Audit Committee have also reviewed the unaudited consolidated financial statements of the Company for the year ended 31 December 2021 and are satisfied with the contents thereof.

The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

By Order of the Board
China Automotive Interior Decoration Holdings Limited
Zhuang Yuejin
Chairman

Hong Kong, 31 March 2022

As at the date hereof, the executive directors are Mr. Zhuang Yuejin, Mr. Wong Ho Yin and Ms. Xiao Suni, and the independent non-executive directors are Mr. Mak Wai Ho, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.