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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 2022

	Year ended 31 December		
	2022	2021	Change
	RMB'000	RMB'000	
Revenue	176,094	295,776	-40.5%
Gross profit	12,675	70,553	-82.0%
Gross profit margin	7.2%	23.9%	-16.7%pts
(Loss)/profit attributable to equity shareholders of the Company for the year	(26,010)	7,329	-454.9%
(Loss)/earnings per share			
Basic and diluted (RMB cents)	(1.3)	0.37	-451.4%
Final dividend per share (proposed) (HK\$ cents)	-	-	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 2022 together with the comparative figures in 2021 and the relevant explanatory notes.

**Consolidated statement of profit or loss
for the year ended 31 December 2022**
(Expressed in Renminbi)

	<i>Note</i>	2022 RMB'000	<i>2021</i> RMB'000
Revenue	3	176,094	295,776
Cost of sales		<u>(163,419)</u>	<u>(225,223)</u>
Gross profit	3(b)	12,675	70,553
Other income	4	3,000	3,901
Selling and distribution expenses		(3,774)	(9,011)
Administrative expenses		(33,096)	(47,128)
Impairment losses reversed on trade and other receivables		<u>60</u>	<u>31</u>
(Loss)/profit from operations		(21,135)	18,346
Finance costs	5(a)	<u>(9,198)</u>	<u>(9,409)</u>
(Loss)/profit before taxation	5	(30,333)	8,937
Income tax	6(a)	<u>4,323</u>	<u>(1,608)</u>
(Loss)/profit attributable to equity shareholders of the Company for the year		<u>(26,010)</u>	<u>7,329</u>
(Loss)/earnings per share			
— Basic and diluted (RMB cents)	7	<u>(1.30)</u>	<u>0.37</u>

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022**

(Expressed in RMB)

	2022	<i>2021</i>
	RMB'000	RMB'000
(Loss)/profit for the year	(26,010)	7,329
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	<u>904</u>	<u>(705)</u>
Total comprehensive income attributable to equity shareholders of the Company for the year	<u>(25,106)</u>	<u>6,624</u>

Consolidated statement of financial position
at 31 December 2022
(Expressed in RMB)

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		195,240	204,921
Intangible assets		1,541	1,279
Prepayments for acquisitions of property, plant and equipment		8,794	6,285
Deferred tax assets		6,384	2,061
		<u>211,959</u>	<u>214,546</u>
Current assets			
Inventories		53,193	60,224
Trade and bills receivables	8	125,300	166,130
Prepayments and other receivables		21,091	30,566
Cash at bank and on hand		106,491	100,850
		<u>306,075</u>	<u>357,770</u>
Current liabilities			
Bank and other loans		113,675	118,602
Trade and bills payables	9	97,805	131,862
Accrued expenses and other payables		43,290	36,028
Lease liabilities		539	820
Current taxation		560	73
		<u>255,869</u>	<u>287,385</u>
Net current assets		<u>50,206</u>	<u>70,385</u>
Total assets less current liabilities		<u>262,165</u>	<u>284,931</u>

Consolidated statement of financial position
at 31 December 2022 (Continued)
(Expressed in RMB)

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bank and other loans		16,806	15,232
Lease liabilities		-	58
Deferred income		3,793	2,969
		<u>20,599</u>	<u>18,259</u>
NET ASSETS		<u>241,566</u>	<u>266,672</u>
CAPITAL AND RESERVES			
Share capital	10	17,522	17,522
Reserves		224,044	249,150
TOTAL EQUITY		<u>241,566</u>	<u>266,672</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 2022 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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

***Amendments to IAS 37, Provisions, contingent liabilities and contingent assets:
Onerous contracts — cost of fulfilling a contract***

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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:

	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
— Sales of heavy trucks' decorative components and parts	151,582	269,196
— Sales of passenger vehicles' decorative components and parts	24,512	26,580
	176,094	295,776

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:

	2022	<i>2021</i>
	RMB'000	RMB'000
Customer A	100,936	169,892
Customer B	42,660	88,643
Customer C	21,582	18,949
	<u>165,178</u>	<u>277,484</u>

(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 2022 and 2021. 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 (loss)/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 2022 and 2021 is set out below:

	Heavy trucks' decorative components and parts RMB'000	Passenger vehicles' decorative components and parts RMB'000	Total RMB'000
		<i>2022</i>	
Revenue recognised at a point in time from external customers	<u>151,582</u>	<u>24,512</u>	<u>176,094</u>
Reportable segment gross profit	<u>11,122</u>	<u>1,553</u>	<u>12,675</u>
		<i>2021</i>	
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>

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

	2022 RMB'000	2021 RMB'000
Total reportable segment gross profit	12,675	70,553
Other income	3,000	3,901
Selling and distribution expenses	(3,774)	(9,011)
Administrative expenses	(33,096)	(47,128)
Impairment losses reversed on trade and other receivables	60	31
Finance costs	(9,198)	(9,409)
Consolidated (loss)/profit before taxation	<u>(30,333)</u>	<u>8,937</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 business is substantially conducted in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

4 Other income

	2022	2021
	RMB'000	RMB'000
Government grants (including amortisation of deferred income)	2,783	2,716
Net gain on sales of scrap materials	336	561
Interest income	326	357
Net loss on disposal of property, plant and equipment	(320)	(114)
Net foreign exchange (losses)/gains	(125)	381
	3,000	3,901

5 (Loss)/profit before taxation

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

(a) *Finance costs*

	2022	2021
	RMB'000	RMB'000
Interest on bank and other loans	9,165	9,309
Interest on lease liabilities	33	100
	9,198	9,409

No borrowing costs have been capitalised during the year ended 31 December 2022 (2021: RMB Nil).

(b) *Staff costs*[#]

	2022	2021
	RMB'000	RMB'000
Salaries, wages and other benefits	38,980	47,662
Contributions to defined contribution retirement plan	2,793	3,024
	41,773	50,686

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 the subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of the 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.

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**

	2022	2021
	RMB'000	RMB'000
Amortisation [#]	415	192
Depreciation charge [#]		
— owned property, plant and equipment	32,393	25,472
— right-of-use assets	775	775
	<u>33,583</u>	<u>26,439</u>
Impairment losses on non-financial assets		
— property, plant and equipment	222	—
Auditors' remuneration		
— audit service	1,800	1,800
Research and development costs	12,151	20,139
Cost of inventories [#]	<u>163,419</u>	<u>225,223</u>

Cost of inventories includes RMB49,675,000 (2021: RMB46,749,000) 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:**

	2022	2021
	RMB'000	RMB'000
Current taxation:		
Provision for the year	—	1,916
Deferred taxation:		
— Origination and reversal of temporary differences	(4,323)	(723)
— Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note (iv))	—	415
	<u>(4,323)</u>	<u>(308)</u>
	<u>(4,323)</u>	<u>1,608</u>

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

	2022	2021
	RMB'000	RMB'000
(Loss)/profit before taxation	<u>(30,333)</u>	<u>8,937</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (<i>Notes (i),(ii) and (iii)</i>)	(7,361)	2,592
Tax effect of non-deductible items	77	415
Tax effect on preferential tax rate (<i>Notes (iv) and (v)</i>)	4,612	493
Tax effect on bonus deduction of research and development costs (<i>Note (vi)</i>)	(1,983)	(4,148)
Tax effect of unused tax losses not recognised	332	491
Withholding tax on distributed earnings	–	1,350
Effect on deferred tax balances at 1 January resulting from a change in tax rate (<i>Note (iv)</i>)	–	415
Income tax	<u>(4,323)</u>	<u>1,608</u>

Notes:

- (i) The Company incorporated in the Cayman Islands 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 2022 (2021: 16.5%). The entity did not have assessable profits which is subject to Hong Kong Profits Tax for the year ended 31 December 2022 (2021: 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 2022 (2021: 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 2022 to 2025.
- (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% (2021: 100%) of such expenses could be deemed as deductible expenses.

7 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for year ended 31 December 2022 is based on the loss attributable to equity shareholders of the Company of RMB26,010,000 (2021: profit attributable to equity shareholders of the Company RMB7,329,000) and the weighted average of 2,000,000,000 (2021: 2,000,000,000) ordinary shares.

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

	2022	2021
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 (loss)/earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2022 and 2021.

8 Trade and bills receivables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables, net of loss allowance	85,700	73,388
Bills receivables	<u>39,600</u>	<u>92,742</u>
	<u><u>125,300</u></u>	<u><u>166,130</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:

	2022	2021
	RMB'000	RMB'000
Less than 3 months	94,438	126,820
3 to 6 months	14,888	23,556
6 to 12 months	15,974	11,516
more than 1 year	–	4,238
	125,300	166,130

9 Trade and bills payables

	2022	2021
	RMB'000	RMB'000
Trade payables	47,074	64,287
Bills payables	50,731	67,575
	97,805	131,862

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:

	2022	2021
	RMB'000	RMB'000
Less than 3 months	54,144	59,433
3 to 6 months	35,848	54,784
6 to 12 months	3,025	15,670
Over 1 year	4,788	1,975
	97,805	131,862

10 Capital and dividends

(a) Share capital

	2022		2021	
	No. of shares	HK\$'000	No. of shares	HK\$'000
	'000		'000	
Authorised:				
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>

	2022		2021	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
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

The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: RMB Nil).

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

	2022	2021
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid/payable during the year	<u>–</u>	<u>10,024</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back on 2022, under the influence of many unfavorable factors such as economic downturn, the outbreak of the epidemic, rising oil prices, and market saturation, the heavy truck market suffered a “dark moment”, with a year-on-year decline in sales volume of 51.8%. With the improvement of the economic situation and the gradual restoration of norm of living, the demand for heavy trucks is expected to recover in 2023. With the support of positive factors such as stable growth policies, the restoration of epidemic control, and the elimination of old vehicles, the heavy truck industry will stabilize and rebound. At the same time, the improvement of the export market will also become an “important force” to boost the heavy truck market in 2023.

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 2022 and 2021:

	<i>Year ended 31 December</i>			
	<i>2022</i>		<i>2021</i>	
	RMB’000	%	RMB’000	%
Heavy trucks’ decorative components and parts	151,582	86.08	269,196	91.01
Passenger vehicles’ decorative components and parts	24,512	13.92	26,580	8.99
Total	176,094	100.0	295,776	100.0

Revenue from sales of heavy trucks' decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts decreased from approximately RMB269.2 million for the year ended 31 December 2021 to approximately RMB151.6 million for the year ended 31 December 2022, representing a decrease of approximately 43.7%.

The decrease was mainly due to the cyclical downturn of the heavy truck market in 2022, and the sharp decrease in market sales compared with the previous year. In 2022, the national sales volume of heavy trucks was 672,000, with a year-on-year decrease of about 51.8%. The Group's main income comes from the heavy truck industry, which has also declined due to the overall impact of the industry.

Revenue from sales of passenger vehicles' decorative components and parts

Revenue generated from sales of passenger vehicles' decorative components and parts decreased from approximately RMB26.6 million for the year ended 31 December 2021 to approximately RMB24.5 million for the year ended 31 December 2022, representing a decrease of approximately 7.9%. 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 RMB295.8 million for the year ended 31 December 2021 to approximately RMB176.1 million for the year ended 31 December 2022, representing a decrease of approximately 40.5%. 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 RMB70.6 million for the year ended 31 December 2021 to approximately RMB12.7 million for the year ended 31 December 2022, representing a decrease of approximately 82.0%. Our overall gross profit margin decreased from approximately 23.9% for the year ended 31 December 2021 to approximately 7.2% for the year ended 31 December 2022. Such decrease was primarily due to the lower sales income and the higher fixed costs including depreciation, resulting in a lower gross margin of products.

Other income

Our other income decreased from approximately RMB3.9 million for the year ended 31 December 2021 to approximately RMB3.0 million for the year ended 31 December 2022, representing a decrease of approximately 23.1%, which was mainly due to the decrease in net gain from the sales of scrap materials in 2022 compared with that of 2021.

Selling and distribution expenses

Our selling and distribution expenses decreased from approximately RMB9.0 million for the year ended 31 December 2021 to approximately RMB3.8 million for the year ended 31 December 2022, representing a decrease of approximately 58.1%. 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 decreased from approximately RMB47.1 million for the year ended 31 December 2021 to approximately RMB33.1 million for the year ended 31 December 2022, representing a decrease of 29.8%. Such decrease was mainly due to the decrease in research and development expenses and employee benefit costs for the year ended 31 December 2022.

Finance costs

Our finance costs decreased from approximately RMB9.4 million for the year ended 31 December 2021 to approximately RMB9.2 million for the year ended 31 December 2022, representing a decrease of approximately 2.2%. Such decrease was mainly attributable to the decrease in our weighted average balance of bank and other loans for the year ended 31 December 2022.

Income tax

Our income tax credit amounted to approximately RMB4.3 million for the year ended 31 December 2022 and the income tax expenses accounted to approximately RMB1.6 million for the year ended 31 December 2021. The income tax credit was mainly due to the negative profit before tax during the period and the recognition of the deferred income tax assets.

(Loss)/profit for the year

As a result of the foregoing, our loss amounted to approximately RMB26.0 million for the year ended 31 December 2022, as compared to the profit amounted 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 2022 and 2021, cash and cash equivalents of the Group were approximately RMB78.5 million and RMB62.5 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 decreased from approximately RMB133.8 million as at 31 December 2021 to approximately RMB130.5 million as at 31 December 2022. Among them, the bank and other loans in the amounts of approximately RMB62.5 million (2021: RMB93.8 million) were secured by trade and bills receivables, property, plant and equipment of the Group, and the credit loans and the loans guaranteed by a third party, the ultimate controlling party of the Company, or a subsidiary of the Company amounted to approximately RMB68.0 million (2021: RMB40.0 million).

Gearing Ratio

The gearing ratio as at 31 December 2021 and 2022 were at 50.2% and 54.0% 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 RMB60.2 million as at 31 December 2021 to approximately RMB53.2 million as at 31 December 2022, representing a decrease of approximately 11.7%. The decrease was mainly due to the decrease in the volume of inventories as a result of the decrease in the sales order in 2022.

Prepayments for acquisitions of property, plant and equipment

Our prepayment for acquisitions of property, plant and equipment increased from approximately RMB6.3 million for the year ended 31 December 2021 to approximately RMB8.8 million for the year ended 31 December 2022, representing an increase of approximately 39.9%. The increase is mainly due to the investment of new projects of the Group in 2022.

Secured Assets

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

	2022	<i>2021</i>
	RMB'000	RMB'000
Property, plant and equipment	108,174	112,144
Trade and bills receivables	21,590	25,090
	129,764	137,234

Capital Expenditure

As at 31 December 2022, the capital expenditures were approximately RMB28.7 million (2021: approximately RMB49.9 million). The capital expenditures incurred for the year ended 31 December 2022 primarily related to the purchase of new machineries and equipments.

Capital Commitments

As at 31 December 2022, the capital commitments in respect of property, plant and equipment contracted were approximately RMB10.0 million (2021: approximately RMB16.0 million).

Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: 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 any 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 2022.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 389 full time employees (2021: 480). For the year ended 31 December 2022, the Group incurred total staff costs of approximately RMB41.8 million (2021: approximately RMB50.7 million), representing a decrease of approximately 17.6% as compared with those in 2021. The decrease was mainly due to the decrease in the number of employees.

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

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

Save as disclosed in this announcement, there are no major events subsequent to 31 December 2022 which would materially affect the Group's operating and financial performance as of the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2022 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 2023, China's economy will continue to recover steadily, and the long-term positive fundamentals of the macro-economy will not change. The annual demand of heavy truck market will show a trend of lower demand at the beginning and higher demand after, and the competition in respect of stocks will become the new norm. The passenger car market has a huge potential with superimposed policy support to help increase the market share and sales volume of self-owned brand passenger cars. We will firmly promote the dual track operation of passenger cars and commercial vehicles, and maintain the stock market and expand the external market.

We will continue to improve and continue to promote the “TES” (Tianrui Excellence Management System) to make the Tianrui Basic Law a standardized model of group management. Through benchmarking, we will complete the company’s system informatization construction, complete the incentive mechanism for key employees, and achieve a win-win situation for Tianrui people.

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 C.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregate 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 INDEPENDENT AUDITOR

The figures in respect of this preliminary announcement of the Group’s results for the year ended 31 December 2022 have been agreed by the Group’s independent auditor, KPMG, to the amounts set out in the Group’s audited consolidated financial statements for the year then ended. The work performed by KPMG in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance 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 16 June 2023. 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 13 June 2023 to 16 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 12 June 2023, being the business day before the first day of closure of the register of members.

REVIEW OF ANNUAL RESULTS

The audit committee together with the management and the auditor of the Company had reviewed 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 2022.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2022 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 and on the website of the Company at <http://www.trqcns.com> and the annual report for the year ended 31 December 2022 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, 28 March 2023

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