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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of Directors (the "Board") of China Automotive Interior Decoration Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the preceding financial year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	**194,527**	227,562
Cost of sales		**(176,568)**	(204,925)
Gross profit		**17,959**	22,637
Other gains or losses	6	**(21,490)**	(199,342)
Selling and distribution costs		**(9,474)**	(12,599)
Share of result of an associate		**(10,579)**	243
Administrative expenses		**(38,078)**	(43,593)
Loss from operations	7	**(61,662)**	(232,654)
Finance costs	8	**(1,974)**	(1,831)
Loss before tax		**(63,636)**	(234,485)
Income tax expense	9	**(1,289)**	(2,335)
Loss for the year attributable to the owners of the Company		**(64,925)**	(236,820)

	Note	2018 RMB'000	2017 RMB'000
Loss for the year		**(64,925)**	(236,820)
Other comprehensive income/(loss) for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**8,434**	(20,713)
Exchange differences arising on an associate		**903**	(1,598)
Total other comprehensive income/(loss) for the year		**9,337**	(22,311)
Total comprehensive loss for the year attributable to the owners of the Company		**(55,588)**	(259,131)
Loss per share		***RMB***	*RMB*
– Basic and diluted	*10*	**(3.3) cents**	(12.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**52,234**	56,276
Available-for-sale financial assets		**–**	41,063
Prepaid land lease payments		**2,479**	2,552
Interest in an associate		**14,185**	25,257
Deferred tax assets		**851**	–
		69,749	125,148
Current assets			
Prepaid land lease payments		**73**	73
Inventories		**31,928**	24,377
Trade receivables	*12*	**116,887**	141,554
Bills receivables		**5,083**	2,340
Prepayments, deposits and other receivables		**38,469**	31,011
Held-for-trading investments		**–**	20,819
Financial assets at fair value through profit or loss		**30,611**	–
Cash and bank balances		**32,381**	34,520
		255,432	254,694
Total assets		**325,181**	379,842
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**163,359**	163,359
Reserves		**35,390**	92,708
Total equity		**198,749**	256,067

	Note	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	*13*	**24,136**	29,198
Accruals and other payables		**13,644**	20,245
Contract liabilities		**11,978**	–
Bank borrowings		**40,000**	39,850
Tax payable		**36,674**	34,482
		126,432	123,775
Total liabilities		**126,432**	123,775
Total equity and liabilities		**325,181**	379,842
Net current assets		**129,000**	130,919
Total assets less current liabilities		**198,749**	256,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 December 2009 with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Group's principal place of business is located at No. 28 Xinfeng Road, Xinfeng Industrial Park, Fangqian Town, New District, Wuxi City, Jiangsu Province, the People's Republic of China (the "PRC"). Its parent and ultimate holding company is China Automotive Interior Decoration Holdings Limited (incorporated in Cayman Islands). Its ultimate controlling party is Mr. Zhuang Yuejin, who is also the Chairman and Managing Director of the Company.

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

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017**	**HKFRS 9**	**HKFRS 15**	**1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Available-for-sale financial assets	41,063	(41,063)	–	–
Deferred tax assets	–	532	–	532
Current assets				
Trade receivables	141,554	(2,211)	–	139,343
Prepayments, deposits and other receivables	31,011	(51)	–	30,960
Financial assets at fair value through profit or loss	–	61,882	–	61,882
Held-for-trading investments	20,819	(20,819)	–	–
Current liabilities				
Accruals and other payables	20,245	–	(6,007)	14,238
Contract liabilities	–	–	6,007	6,007
Net current assets	130,919	(2,262)	–	128,657
Net assets	256,067	(1,730)	–	254,337
Capital and reserves				
Reserves	92,708	(1,730)	–	90,978
Total equity	256,067	(1,730)	–	254,337

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note to consolidated financial statement.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other item subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

(a) Classification and measurement

	Available for sale financial assets *RMB'000*	**Held for trading Investment** *RMB'000*	**Financial assets at fair value through profit or loss ("FVTPL")** *RMB'000*
Closing balance at 31 December 2017 – HKAS 39	41,063	20,819	–
Effect arising from initial application of HKFRS 9:			
Reclassification			
From held for trading to FVTPL *(note (i))*	–	(20,819)	20,819
From available-for-sale financial assets to FVTPL *(note (ii))*	(41,063)	–	41,063
Opening balance at 1 January 2018	–	–	61,882

(a) Classification and measurement (continued)

Notes:

(i) Financial assets at FVTPL classified as held for trading investment

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, RMB20,819,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(ii) From Available-for-sale ("AFS") financial assets investments to FVTPL

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, available-for-sale financial assets of approximately RMB41,063,000 which is related to quoted equity investments previously measured at fair value under HKAS 39 were reclassified to financial assets at FVTPL. There is no impact of transition to HKFRS 9 on reserve at 1 January 2018.

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits, bills and other receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

Other financial assets measured at amortised cost

ECL for other financial assets at amortised cost, including bills receivables and cash and bank balances are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group‘s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 January 2018.

The following tables summarised the impact, net of tax, of transition HKFRS 9 on the opening balance of accumulated losses as 1 January 2018 as follow:

	RMB'000
Accumulated losses	
As at 31 December 2017	(109,840)
Increase in expected credit loss ("ECLs") in	
– Trade receivables	(2,211)
– Other receivables	(51)
– Deferred tax assets	532
Accumulated losses as at 1 January 2018, restated	(111,570)

All loss allowances, including trade receivables and other receivables, as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables *RMB'000*	**Other receivables** *RMB'000*
At 31 December 2017 – HKAS 39	534	–
Amounts re-measured through opening accumulated losses	2,211	51
At 1 January 2018 – HKFRS 9	2,745	51

HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

– Sale of non-woven fabric products

– Sale of rubber products

– Sale of food products

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance of RMB6,007,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after a date to be determined.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

Basis of preparation

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 and services.

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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 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 products		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Sales to external customers	**45,319**	52,409	**149,208**	175,153	**194,527**	227,562
Segment results	**(6,827)**	1,251	**(2,039)**	(1,762)	**(8,866)**	(511)
Unallocated corporate income					**101**	145
Unallocated corporate expenses					**(52,897)**	(234,318)
Loss from operations					**(61,662)**	(234,684)
Finance costs					**(1,974)**	(1,831)
Loss before tax					**(63,636)**	(236,515)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2018 and 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of interest income, fair value loss on financial assets at fair value through profit or loss/held-for-trading investments, allowance for expected credit losses on trade receivables and other receivables, impairment loss on available-for-sale financial assets, impairment loss on other receivables, share of result of an associate and central operating expenses including staff costs, finance costs and income tax expense. 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 products		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS						
Segment assets	**50,398**	56,110	**239,838**	251,125	**290,236**	307,235
Unallocated corporate assets					**34,945**	72,607
Total assets					**325,181**	379,842
LIABILITIES						
Segment liabilities	**4,872**	3,896	**84,812**	85,764	**89,684**	89,660
Unallocated corporate liabilities					**36,748**	34,115
Total liabilities					**126,432**	123,775

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 products		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Capital expenditure	**–**	–	**3,399**	8,665	**3,399**	8,665
Depreciation of property, plant and equipment	**145**	103	**5,941**	5,698	**6,086**	5,801
Amortisation of prepaid land lease payments	**–**	–	**73**	73	**73**	73
Inventories written off	**–**	–	**759**	155	**759**	155
Impairment loss recognised on trade receivables	**–**	–	**–**	265	**–**	265
Allowance for expected credit losses recognised on trade receivables	**24**	–	**1,559**	–	**1,583**	–
Reversal of allowance for expected credit losses recognised on trade receivables	**(97)**	–	**(173)**	–	**(270)**	–
Allowance for expected credit losses recognised on other receivables	**8**	–	**8**	–	**16**	–
Impairment loss recognised on goodwill	**–**	457	**–**	–	**–**	457
Loss on disposal of property, plant and equipment	**–**	–	**593**	16	**593**	16

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*	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**194,527**	219,564	**54,562**	58,541
Hong Kong	**–**	7,998	**151**	287
	194,527	227,562	**54,713**	58,828

* *Non-current assets exclude interest in an associate, deferred tax assets and available-for-sale financial assets.*

Information about major customers

For the year ended 31 December 2018, revenue generated from one (2017: one) customer of the Group amounting to approximately RMB21,746,000 (2017: RMB26,026,000) 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 2018 and 2017.

5. REVENUE

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

An analysis of revenue by types of goods as follows:

	2018	2017
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	**47,091**	93,757
– Sales of other automotive parts	**102,116**	81,396
Sales of rubber	**11,077**	15,466
Sales of food products	**34,243**	36,943
Total revenue recognised at a point in time	**194,527**	227,562

All of the Group's revenue from contracts with customers is generated in the PRC based on where goods are sold. 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

	2018	2017
	RMB'000	*RMB'000*
Interest income	**101**	39
Impairment loss on other receivables	**–**	(9,681)
Fair value loss on financial assets at fair value through profit or loss/held-for-trading investments	**(34,108)**	(15,675)
Rental income	**–**	52
Impairment loss on available-for-sale financial assets	**–**	(185,301)
Others *(note)*	**12,517**	11,224
	(21,490)	(199,342)

Note: Included the amounts of sales of scrap raw materials for the year ended 31 December 2018 amounted to approximately RMB12,365,000 (2017: RMB8,246,000).

7. LOSS FROM OPERATIONS

The Group's loss from operations is stated after charging the following:

	2018	2017
	RMB'000	*RMB'000*
Auditors' remuneration	**964**	964
Amortisation of prepaid land lease payments	**73**	73
Depreciation of property, plant and equipment	**6,086**	5,801
Operating lease rentals in respect of rented premises	**2,748**	2,512
Staff costs including directors' remuneration:		
– Salaries and other benefits	**17,793**	16,909
– Retirement benefits scheme contributions	**3,428**	3,352
Cost of inventories recognised as cost of sales	**146,496**	183,741
Loss on disposal of property, plant and equipment	**593**	16
Inventories written off	**759**	155
Impairment loss recognised on trade receivables	**–**	265
Allowance for expected credit losses on trade receivables	**(1,583)**	–
Reversal of allowance for expected credit losses on trade receivables	**270**	–
Allowance for expected credit losses on other receivables	**(16)**	–
Impairment loss on interest in associate	**1,396**	–
Share based payment expenses	**–**	21,353
Impairment loss recognised on goodwill *(Note 1)*	**–**	457
Research and development expenditure *(Note 2)*	**6,211**	7,434

Note:

1. Impairment loss recognised on goodwill included in administrative expenses for the year ended 31 December 2018 was amounted to approximately RMBNil (2017: RMB457,000).

2. The amounts included in cost of sales for the year ended 31 December 2018 amounted to approximately RMB6,211,000 (2017: RMB7,434,000).

8. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**1,974**	1,818
Interest expenses on bank overdrafts	**–**	13
	1,974	1,831

9. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**206**	290
PRC enterprise income tax ("EIT")	**2,020**	1,878
	2,226	2,168
(Over)/under provision for in previous years		
PRC EIT	**(618)**	167
Deferred tax		
Credited to the consolidated statement of profit or loss and other comprehensive income	**(319)**	–
	1,289	2,335

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 twotiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 December 2017.

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 year ended 31 December 2018 is 25%.

Pursuant to PRC Enterprise Income Tax Law, an innovative and high-end technology enterprise may enjoy a preferential enterprise income tax rate of 15% ("IHT Enterprise Rate"). On 6 July 2015, Joystar (Wuxi) Automotive Interior Decoration Co., Ltd. ("Joystar Wuxi"), a subsidiary of the Company, obtained the Certificate of Innovative and High-end Technology Enterprise with validity period of three year and also enjoyed the IHT Enterprise Rate. Consequently, the applicable income tax rate of Joystar Wuxi for the year ended 31 December 2017 is 15%.

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 RMB64,925,000 (2017: approximately RMB236,820,000) and the weighted average number of ordinary shares of 1,990,656,000 (2017: 1,990,656,000) in issue during the year.

Diluted loss per share

For the year ended 31 December 2018 and 2017 diluted loss per share is the same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted 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 2018 (2017: Nil).

12. TRADE RECEIVABLES

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

	2018 ***RMB'000***	2017 *RMB'000*
0 to 90 days	**70,480**	103,866
91 to 180 days	**14,350**	31,391
181 to 365 days	**11,488**	5,360
Over 365 days	**20,569**	937
	116,887	141,554

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days (2017: ranging from 30 days 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:

	2018	2017
	RMB'000	*RMB'000*
0 to 90 days	**9,873**	8,134
91 to 180 days	**656**	464
181 to 365 days	**145**	5,053
Over 365 days	**13,462**	15,547
	24,136	29,198

Trade payables generally have credit terms ranging from 10 days to 60 days. (2017: ranging from 10 days to 60 days)

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of nonwoven fabric 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 products

Manufacture and sale of nonwoven fabric 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 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, the production and sales of passenger vehicles in the PRC were approximately 23,529,000 units and 23,710,000 units respectively for the year ended 31 December 2018, representing a decrease of approximately 5.2% and 4.1%. As a result of increasing competition in the automotive industry, there were i) decrease in revenue of sales of automotive floor carpets, ii) decrease in profit margin of manufacturing and sale of nonwoven fabric products of the Group and iii) loss on segment result of approximately RMB2.0 million for the year ended 31 December 2018.

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 the third quarter of 2016, the Group resumed the business of trading of food products such as dairy products and flour-based products which generated steady income to the Group for the year ended 31 December 2018.

Interest in associates

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 2018. GEO Securities has the licenses to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong. As the weak market condition of the financial market in Hong Kong during 2018, the Group shared a loss of an associate of approximatley RMB10.6 million during the year ended 31 December 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2018 and 2017 was illustrated as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	**47,091**	93,757
– Sales of other automotive parts	**102,116**	81,396
Sales of rubber	**11,077**	15,466
Sales of food products	**34,243**	36,943
	194,527	227,562

For the year ended 31 December 2018, the Group's revenue decreased to approximately RMB194.5 million, compared to approximately RMB227.5 million in 2017, representing a decrease of approximately 14.5%. The decrease in the Group's revenue was mainly attributable to the decrease in revenue of manufacture and sale of automotive floor carpets.

Gross profit

For the year ended 31 December 2018, the Group's gross profit and profit margin respectively decreased to approximately RMB17.9 million and 9.2%. The decrease was mainly due to the increase in production costs of the Group.

Other gain or losses

For the year ended 31 December 2018, The Group's other gain or losses decreased by approximately RMB177.8 million from a loss of approximately RMB199.3 million in 2017 to a loss of approximately RMB21.5 million in 2018. The decrease was mainly due to the recognition of fair value loss on financial assets at fair value through profit or loss/held-for-trading of approximately RMB34.1 million which offset with the absence of impairment loss on available-for-sale financial assets of approximately RMB185.3 million as compared to that for the corresponding period of 2017. The available-for-sale financial assets and held-for-trading investments at 31 December 2017 were reclassified to financial assets at fair value through profit or loss during the year ended 31 December 2018 which was mainly composed of a discretionary investment fund ("Discretionary Fund"). Details of the Discretionary Fund are disclosed under the section "SIGNIFICANT INVESTMENTS".

Administrative expenses

For the year ended 31 December 2018, as a continuous effort to monitor the operating costs, the Group's administrative expenses decreased by approximately RMB5.5 million to approximately RMB38.1 million.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB64.9 million for the year of 2018 compared with a loss of approximately RMB236.8 million for the corresponding period of 2017. The change was mainly due to the decrease of impairment loss on financial assets at fair value through profit or loss/available-for-sale financial assets during the year ended 31 December 2018.

PROSPECT AND OUTLOOK

The Board expects that 2019 will still be a challenging year for the business of manufacture and sale of nonwoven 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 its income stream, the Group will 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 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 and expect this business operation would achieve better performance in the near future.

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 operations.

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.

LIQUIDITY AND FINANCIAL RESOURCES

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current assets	**255,432**	254,694
Current liabilities	**126,432**	123,775
Current ratio	**2.02**	2.06

The current ratio of the Group at 31 December 2018 was 2.02 times as compared to that of 2.06 times at 31 December 2017. At 31 December 2018, the Group's gearing ratio (represented by totals of bank borrowings divided by summation of total bank borrowings and equity) amounted to approximately 16.8% (2017: 13.5%).

TREASURY POLICY

The Group generally financed its operations by internal cash resources and bank financing during 2018.

At 31 December 2018, cash and bank balances of the Group amounted to approximately RMB32.4 million (2017: RMB34.5 million), and approximately RMB18.6 million (2017: RMB25.0 million) of which are denominated in Hong Kong dollars and United States dollars. Taking into account the Group's cash reserves and recurring cash flows from its operations, the Group's financial position is stable and healthy.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since 31 December 2017.

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 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2018, the Group held 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.

Except the Discretionary Fund, at 31 December 2018, there was no investment held by the Group which value was more than 5% of the net assets of the Group.

Details of the Discretionary Fund are as follows:

	Year ended 31 December 2018	**At 31 December 2018**		At 31 December 2017
	Impairment loss	**Fair Value**	**Approximate percentage to the net assets**	Fair Value
	RMB'000	***RMB'000***		*RMB'000*
Discretionary Fund	**23,446**	**18,828**	**9.5%**	41,063

Looking ahead, the value of the Discretionary Fund 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 2018.

PLEDGE ON ASSETS

At 31 December 2018, the Group's buildings with a carrying amounts of approximately RMB5.7 million (2017: RMB6.0 million) and prepaid land lease payments with a carrying amounts of approximately RMB2.5 million (2017: RMB2.6 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2018, the Group employed a total of 141 employees (2017: 149). 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' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year.

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. Except for the deviation from Code provision A.2.1 and A.6.7, the Company complied with the Code for the year ended 31 December 2018.

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 stipulates that independent non-executive Directors should attend general meetings of the Company. Owing to other business engagements, two independent non-executive Directors, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan, were unable to attend the annual general meeting of the Company held on 25 June 2018. However, the senior management and the other independent non-executive Director 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 2018, 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. The audited consolidated results of the Group for the year ended 31 December 2018 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

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

Hong Kong, 25 March 2019

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.