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 2018

RESULTS HIGHLIGHTS

	Year ended 31 December		
	2018	2017	
	RMB'000	*RMB'000*	Change
Revenue	**263,820**	241,659	9.2%
Gross profit	**89,905**	83,552	7.6%
Gross profit margin	**34.1%**	34.6%	-1.4%
Profit attributable to equity shareholders	**28,016**	35,055	-20.1%
Earnings per share			
— Basic and diluted (RMB cents)	**1.87**	2.34	-20.1%

The board (the "**Board**") of 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 2018 together with the comparative figures in 2017 and the relevant explanatory notes.

Consolidated statement of profit or loss
for the year ended 31 December 2018
(Expressed in Renminbi ("RMB"))

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
Revenue	3	**263,820**	241,659
Cost of sales		**(173,915)**	(158,107)
Gross profit	3(b)	**89,905**	83,552
Other (loss)/income	4	**(596)**	1,174
Selling expenses		**(7,278)**	(4,791)
Administrative expenses		**(41,598)**	(31,306)
Profit from operations		**40,433**	48,629
Finance costs	5(a)	**(7,577)**	(4,809)
Profit before taxation	5	**32,856**	43,820
Income tax	6(a)	**(4,840)**	(8,765)
Profit attributable to equity shareholders of the Company for the year		**28,016**	35,055
Earnings per share	7		
Basic and diluted (RMB cents)		**1.87**	2.34

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2018
(Expressed in RMB)

	2018 RMB'000	2017 RMB'000 (Note)
Profit for the year	**28,016**	35,055
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**664**	1,257
Total comprehensive income attributable to equity shareholders of the Company for the year	**28,680**	36,312

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

Consolidated statement of financial position
at 31 December 2018
(Expressed in RMB)

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**114,501**	82,695
Lease prepayments		**9,486**	9,692
Prepayments for acquisitions of property, plant and equipment		**9,322**	14,352
Deferred tax assets		**758**	677
		134,067	107,416
Current assets			
Inventories		**27,252**	29,372
Trade and bills receivables	8	**132,965**	128,333
Prepayments and other receivables		**11,324**	8,134
Cash at bank and on hand		**33,385**	38,665
		204,926	204,504
Current liabilities			
Bank and other loans		**37,449**	78,088
Trade and bills payables	9	**136,867**	120,861
Accrued expenses and other payables		**27,576**	23,620
Amounts due to the controlling shareholders		**1,405**	31,564
Current taxation		**2,318**	1,406
		205,615	255,539
Net current liabilities		**(689)**	(51,035)
Total assets less current liabilities		**133,378**	56,381

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

Consolidated statement of financial position
at 31 December 2018 (continued)
(Expressed in RMB)

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
Non-current liabilities			
Bank and other loans		**15,359**	15,000
Deferred income		**2,572**	2,797
Deferred tax liabilities		**—**	2,000
		17,931	19,797
NET ASSETS		**115,447**	36,584
CAPITAL AND RESERVES	10		
Share capital		**13,216**	—
Reserves		**102,231**	36,584
TOTAL EQUITY		**115,447**	36,584

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

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 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 new and revised 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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Group.

Prior to the incorporation of the Company, the principal business of the Group has been operated under Xian Tianrui Automotive Interiors Co., Ltd. ("Xian Tianrui") which was controlled by Mr Hou Jianli and Ms Chen Bierui. To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a reorganisation (the "Reorganisation"). As part of the Reorganisation, Tianrui International Holdings Limited ("Tianrui International"), a wholly-owned subsidiary of the Company, acquired the entire equity interests of Xian Tianrui at a total consideration of RMB67,500,000. Immediately following the acquisition, Xian Tianrui became an indirect wholly-owned subsidiary of the Company. Upon completion of the Reorganisation on 14 November 2017, the Company became the holding company of the companies now comprising the Group. The Reorganisation only involved inserting of the Company, Ryford Holding Limited ("Ryford") and Tianrui International, which are newly formed entities with no substantive operations, as holding companies of Xian Tianrui and there was no change in the business and operation of Xian Tianrui. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Xian Tianrui treated as the acquirer for accounting purposes. The consolidated financial statements for the year ended 31 December 2017 have been prepared and presented as a continuation of the financial statements of Xian Tianrui with the assets and liabilities of Xian Tianrui recognised and measured at their historical carrying amounts prior to the Reorganisation.

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 IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

In preparation of the listing of the Company's shares on the Stock Exchange, the Group has early adopted IFRS 15, *Revenue from contracts with customers*, on a fully retrospective basis, and applied IFRS 15 consistently for the year ended 31 December 2017. The adoption of IFRS 15 does not have any material impact on the amount and timing of how the Group recognised revenue. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation,* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on trade receivables	778
Related tax	(117)
Net decrease in retained earnings at 1 January 2018	661

Further details of the nature and effect of the changes to previous accounting policies and the transaction approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model;. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	—
Additional credit loss recognised at 1 January 2018 on trade receivables	778
Loss allowance at 1 January 2018 under IFRS 9	778

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The assessment on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

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:

	2018	2017
	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	**238,896**	230,061
— Sales of passenger vehicles' decorative components and parts	**24,924**	11,598
	263,820	241,659

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:

	2018	2017
	RMB'000	RMB'000
Customer A	**111,347**	76,258
Customer B	**98,556**	140,368

(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 2018 and 2017. 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 2018 and 2017 is set out below.

	2018		
	Heavy trucks' decorative components and parts RMB'000	**Passenger vehicles' decorative components and parts RMB'000**	**Total RMB'000**
Revenue recognised at a point in time from external customers	**238,896**	**24,924**	**263,820**
Reportable segment gross profit	**81,860**	**8,045**	**89,905**

	2017		
	Heavy trucks' decorative components and parts RMB'000	Passenger vehicles' decorative components and parts RMB'000	Total RMB'000
Revenue recognised at a point in time from external customers	230,061	11,598	241,659
Reportable segment gross profit	80,196	3,356	83,552

(ii) Reconciliation of reportable segment profit or loss

	2018	2017
	RMB'000	RMB'000
Total reportable segment gross profit	**89,905**	83,552
Other (loss)/income	**(596)**	1,174
Selling expenses	**(7,278)**	(4,791)
Administrative expenses	**(41,598)**	(31,306)
Finance costs	**(7,577)**	(4,809)
Consolidated profit before taxation	**32,856**	43,820

(iii) Geographic information

The Group's revenue is substantially generated from the sales of automotive interior and exterior decorative components and parts in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

4 Other (loss)/income

	2018	2017
	RMB'000	RMB'000
Government grants	**1,225**	754
Net gain on sales of scrap materials	**665**	686
Operating lease income	**31**	236
Interest income	**239**	148
Net gain on disposal of property, plant and equipment	**—**	322
Net foreign exchange losses	**(2,835)**	(1,257)
Others	**79**	285
	(596)	1,174

5 Profit before taxation

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

(a) Finance costs

	2018	2017
	RMB'000	RMB'000
Interest on bank and other loans	**7,577**	4,809

No borrowing costs have been capitalised during the year ended 31 December 2018 (2017: RMBNil).

(b) Staff costs#

	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**26,271**	21,277
Contributions to defined contribution retirement plan	**3,505**	2,002
	29,776	23,279

The employees of the subsidiary 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 this subsidiary is required to contribute to the scheme at a rate of 20% of the employees' basic salaries. Employees of this subsidiary 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 has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2018 RMB'000	2017 RMB'000 (Note)
Depreciation and amortisation#	**12,804**	8,905
Reversal of impairment losses on trade receivables	**(321)**	—
Auditors' remuneration		
— in connection with the initial listing of the Company's shares	**3,000**	2,025
— audit service	**1,300**	—
Research and development costs	**10,552**	6,181
Cost of inventories#	**173,915**	158,107

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

\# Cost of inventories includes RMB25,805,000 (2017: RMB21,249,000) 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:

	2018 RMB'000	2017 RMB'000
Current taxation:		
Provision for the year	**6,804**	7,221
Deferred taxation:		
— Origination and reversal of temporary differences	**(1,964)**	(456)
— Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	—	2,000
	(1,964)	1,544
	4,840	8,765

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

	2018	2017
	RMB'000	RMB'000
Profit before taxation	**32,856**	43,820
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i),(ii) and (iii))	**8,488**	11,062
Tax effect of non-deductible expenses	**837**	238
Tax effect on preferential tax rate (Note (iv))	**(3,303)**	(4,124)
Tax effect on bonus deduction of research and development costs (Note (v))	**(1,182)**	(411)
Tax effect of the withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**—**	2,000
Actual tax expense	**4,840**	8,765

Notes:

(i) The Company and the subsidiary of the Group incorporated in the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(ii) The Company and the subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2018 (2017: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2018 (2017: RMBNil).

(iii) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2018 (2017: 25%).

(iv) 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. Xian Tianrui is qualified as a HNTE and the qualification was valid for three years from 2016 to 2018.

(v) 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 75% (2017: 50%) of such expenses could be deemed as deductible expenses.

7 Earnings per share

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB28,016,000 (2017: RMB35,055,000) and the weighted average of 1,500,000,000 ordinary shares, comprising 100 ordinary shares in issue as at the date of the prospectus of the Company dated 15 January 2019 and 1,499,999,900 ordinary shares issued pursuant to the capitalisation issue, as if the above total of 1,500,000,000 ordinary shares were outstanding throughout the years ended 31 December 2018 and 2017.

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

	2018	2017
Issued ordinary shares at 1 January	**100**	—
Issuance of shares upon the incorporation of the Company (Note 10(a)(ii))	—	100
Effect of capitalisation issue (Note 10(a)(iii))	**1,499,999,900**	1,499,999,900
Weighted average number of ordinary shares at 31 December	**1,500,000,000**	1,500,000,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

8 Trade and bills receivables

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Trade receivables, net of loss allowance (Note (i))	**78,094**	87,069	87,847
Bills receivables	**54,871**	40,486	40,486
	132,965	127,555	128,333

Note:

(i) Upon the adoption of IFRS 9, an opening adjustment at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(c)(i)).

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:

	2018 RMB'000	2017 RMB'000
Less than 3 months	**82,176**	87,302
3 to 6 months	**34,721**	36,195
6 to 12 months	**16,068**	4,836
	132,965	128,333

9 Trade and bills payables

	2018	2017
	RMB'000	RMB'000
Trade payables	**96,867**	98,921
Bills payables	**40,000**	21,940
Financial liabilities measured at amortised cost	**136,867**	120,861

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:

	2018	2017
	RMB'000	RMB'000
Less than 3 months	**54,432**	59,490
3 to 6 months	**70,476**	50,072
6 to 12 months	**10,001**	9,688
Over 1 year	**1,958**	1,611
	136,867	120,861

10 Capital and dividends/distributions

(a) Share capital

	2018		2017	
	No. of shares ’000	**HK$’000**	No. of shares ’000	HK$’000
Authorised:				
Ordinary shares of HK$0.01 each (Note (i))	**10,000,000**	**100,000**	10,000	100

	2018		2017	
	No. of shares	**RMB’000**	No. of shares	RMB’000
Ordinary shares, issued and fully paid:				
At 1 January	**100**	—	—	—
Issuance of shares (Note (ii))	—	—	100	—
Capitalisation issue (Note (iii))	**1,499,999,900**	**13,216**	—	—
At 31 December	**1,500,000,000**	**13,216**	100	—

Notes:

(i) Authorised share capital

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 27 April 2017 with authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each.

Pursuant to the resolutions of the equity shareholders of the Company passed on 18 December 2018, the authorised share capital of our Company was increased from HK$100,000 divided into 10,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

(ii) Issuance of shares

On 27 April 2017, the Company allotted and issued 100 shares at par value of HK$0.01 each, nil paid. On 29 March 2018, the aggregated subscription price of HK$80,020,000 (equivalent to approximately RMB64,648,000) was credited as fully paid.

(iii) Capitalisation issue

Pursuant of the resolutions of the equity shareholders of the Company passed on 18 December 2018, the Company allotted and issued a total of 1,499,999,900 shares credited as fully paid to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 18 December 2018 by way of capitalisation of the sum of HK$14,999,999 (equivalent to approximately RMB13,216,000) standing to the credit of the share premium account of the Company.

(b) Dividends/distributions

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

	2018	2017
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of HK$0.006 per ordinary share (2017: HK$170,000 per ordinary share)	**10,220**	13,804

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

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

	2018	2017
	RMB'000	RMB'000
Final dividend/distributions in respect of the previous financial year, approved and paid/payable during the year	**13,804**	55,000

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Automotive ownership in the PRC increased rapidly amid China's rapid economic growth, continuing urbanization and increasing levels of household consumption. The growth of the heavy trucks and passenger vehicles' interior decorative product markets in the PRC are mainly driven by the following growth drivers:

(i) Increase in popularity of passenger vehicles and wide application of heavy trucks

With the increase in popularity of passenger vehicles and wide application of heavy trucks in infrastructure construction and logistics industry, automotive ownership in the PRC increased rapidly in the past five years and it is also expected to increase in the next five years. Further, heavy truck ownership is expected to grow due to the stimulation of government policies such as "One Belt, One Road" and "Yangtze River Economic Zone" policies.

(ii) Increase in demand from logistics industry and coal industry

The growth of the logistics industry and the coal industry is expected to increase the demand for heavy trucks. With the rapid development of logistics industry driven by the growth of e-commerce market and the increase of consumers' purchasing power, the use of heavy trucks to transport the goods in bulk size is rapidly increasing. Further, the rising price of coal has boosted the production volume of coal in recent years and increased the needs for transportation for coal across the whole country, which leads to higher deamnd for heavy trucks.

(iii) Higher requirements for comfort

Consumers, who are no longer satisfied with basic functions of heavy trucks, are becoming increasingly more demanding when it comes to the comfort level of the driver's cabin. With the advancement in manufacturing technology, heavy truck manufacturers and interior decorative product manufacturers are committed in developing new heavy truck models with larger inner space or advanced materials to improve the comfort level of passengers when driving and riding. Such higher requirements for driving comfort are likely to improve the heavy trucks' interior decorative product market.

(iv) Regulatory control and policy support

The PRC Government has implemented a number of regulations and policies, which controls illegal over-sized and over-loaded heavy trucks transportation more stringently. Such control will reduce the loading capacity of heavy trucks and increase the overall demand for heavy trucks. In addition, the PRC Government has implemented policies in relation to strict emission control of heavy trucks and the renewal of heavy trucks. With regulatory control and policy support from governments, the heavy truck market and heavy truck interior decorative product market are estimated to record a continuous development in the PRC.

The Board expect that automotive interior products market in the PRC is expected to maintain growth as China's automotive ownership continues to grow.

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 aggregate GFA of the premises of our corporate headquarters and production facility was approximately 30,684 sq.m. which were situated on a plot of land with a site area of approximately 53,340 sq.m. located at Xi'an in Shaanxi Province, the PRC. We possessed a total of 35 injection-moulding production lines and 14 compression-moulding production lines at this site. Our production capabilities enable us to offer a wide range of products to our customers including floor mats, instrument panels, headliners, overhead compartments, door trim panels and other products such as heat insulation mats, bumper cores, grilles and fenders.

We generated revenue mainly from the manufacture and sales of interior and exterior decorative components and parts to truck and passenger vehicle manufacturers in the PRC. Set forth below is the breakdown of our revenue by product category for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Heavy trucks' decorative components and parts	**238,896**	**90.6**	230,061	95.2
Passenger vehicles' decorative components and parts	**24,924**	**9.4**	11,598	4.8
Total	**263,820**	**100.0**	241,659	100.0

Revenue from sales of heavy trucks' decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts increased from approximately RMB230.1 million for the year ended 31 December 2017 to approximately RMB238.9 million for the year ended 31 December 2018, representing an increase of approximately 3.8%, mainly resulting from the continuous demand for our products primarily driven by the market demand on heavy trucks.

The demand from our customers was mainly driven by the demand of heavy trucks in the market, which was principally attributable to the combined effect of 1) the optimistic market expectation anticipated from the extraordinarily good performance of the heavy truck industry since 2017 which stimulated the production and sales of heavy trucks; 2) the continuing impact of the "Opinions on Further Improving Work on the Control of Illegal Modification and Overloading of Trucks" on the heavy truck industry which supported the demand of heavy trucks in the logistics industry; and 3) the increasing construction activities relating to infrastructure which required heavy trucks for materials transportation.

Revenue from sales of passenger vehicles' decorative components and parts

Revenue generated from sales of our passenger vehicles' decorative components and parts increased from approximately RMB11.6 million for the year ended 31 December 2017 to approximately RMB24.9 million for the year ended 31 December 2018, representing an increase of approximately 114.9%. Such increase was mainly due to the increase in our supply of passenger vehicles' decorative products to a passenger vehicles' manufacturer in response to a tender we successfully won for exterior decorative products.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately RMB241.7 million for the year ended 31 December 2017 to approximately RMB263.8 million for the year ended 31 December 2018, representing an increase of approximately 9.2%. The increase was primarily due to growth in sales of our heavy trucks' decorative components and parts and passenger vehicles' decorative components and parts.

Gross profit and gross profit margin

Our overall gross profit increased from approximately RMB83.6 million for the year ended 31 December 2017 to approximately RMB89.9 million for the year ended 31 December 2018, representing an increase of approximately 7.6%. Such increase was generally in line with the increase in revenue for the same period. Our overall gross profit margin remained relatively stable at approximately 34.1% for the year ended 31 December 2018 (2017: 34.6%).

Other income/(loss)

Our other income decreased from an income of approximately RMB1.2 million for the year ended 31 December 2017 to a loss of approximately RMB0.6 million for the year ended 31 December 2018. Such decrease was primarily due to the increase in foreign exchange losses from consideration payable for acquiring Xian Tianrui in 2018.

Selling expenses

Our selling expenses increased from approximately RMB4.8 million for the year ended 31 December 2017 to approximately RMB7.3 million for the year ended 31 December 2018, representing an increase of approximately 51.9%. Such increase was mainly due to the increase in employee benefit costs as well as other expenses in response to our business growth, including certain miscellaneous expenses incurred in relation to unloading of our new products at our customers' production facilities.

Administrative expenses

Our administrative expenses increased from approximately RMB31.3 million for the year ended 31 December 2017 to approximately RMB41.6 million for the year ended 31 December 2018, representing an increase of approximately 32.9%. Such increase was primarily due to the overall increase of our business scale. In particular, we have incurred research and development expenses of approximately RMB10.6 million for the year ended 31 December 2018 as compared to approximately RMB6.2 million in 2017, resulting from hiring additional research and development personnel, especially for the development of the passenger vehicles' decorative components and parts. In addition, we incurred expenses of approximately RMB12.4 million for the year ended 31 December 2018 as compared to approximately RMB9.9 million in 2017 in relation to the Listing.

Finance costs

Our finance costs increased from approximately RMB4.8 million for the year ended 31 December 2017 to approximately RMB7.6 million for the year ended 31 December 2018, representing an increase of approximately 57.6%, which was mainly attributable to increase in our average balance of bank and other loans during 2018.

Income tax

Our income tax expense decreased from approximately RMB8.8 million for the year ended 31 December 2017 to approximately RMB4.8 million for the year ended 31 December 2018, representing a decrease of approximately 44.8%. Such decrease was mainly due to the decrease in profit before tax for the period. The effective tax rates decreased from approximately 20.0% for the year ended 31 December 2017 to approximately 14.7% for the year ended 31 December 2018, mainly due to the recognition of withholding tax in connection with retained profits to be distributed by Xian Tianrui in 2017.

Profit for the year

As a result of the foregoing, our profit for the year decreased from approximately RMB35.1 million for the year ended 31 December 2017 to approximately RMB28.0 million for the year ended 31 December 2018, representing a decrease of approximately 20.1%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's business operations are primarily financed by cash generated from operating activities, net proceeds received from the global offering of the Company completed in January 2019 and bank and other loans. As of 31 December 2018 and 2017, the Group had cash and cash equivalents of approximately RMB13.4 million and RMB27.7 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

Our bank and other loans decreased from approximately RMB93.1 million as at 31 December 2017 to approximately RMB52.8 million as at 31 December 2018. Bank and other loans in the amounts of approximately RMB52.8 million (2017: approximately RMB 93.1 million) were secured by trade and bills receivables, property, plant and equipment, land use right of the Group and guaranteed by the controlling shareholders.

Gearing Ratio

The gearing ratio as at 31 December 2017 and 2018 were at 254.5% and 45.7%, 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.

Secured Assets

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

	2018	2017
	RMB'000	RMB'000
Property, plant and equipment	**57,060**	47,243
Lease prepayments	**9,486**	9,692
Trade and bills receivables	**41,241**	76,953
	107,787	133,888

Capital Expenditure

As at 31 December 2018, the capital expenditures were approximately RMB34.1 million (2017: approximately RMB18.4 million). The capital expenditure incurred for the year ended 31 December 2018 primarily related to the construction of new plants and the purchase of new machinery and equipment.

Capital Commitments

As at 31 December 2018, the capital commitments in respect of property, plant and equipment contracted for approximately RMB34.0 million (2017: approximately RMB22.9 million).

Contingent liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: RMBNil).

FLUCTUATION OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS

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

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2018.

DIVIDEND

The Board recommends the payment of a final dividend of HK$12,000,000 (equivalent to approximately RMB10,220,000), representing HK$0.6 cents per ordinary Share, for the year ended 31 December 2018. The proposed final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. A notice convening the annual general meeting and the arrangement of the final dividend will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2018, the Group had a total of 425 full time employees (2017: 381). For the year ended 31 December 2018, the Group incurred total staff costs of approximately RMB29.8 million (2017: approximately RMB23.3 million), representing an increase of approximately 27.9% as compared with those in 2017.

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

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

USE OF PROCEEDS

On 15 January 2019, the shares of the Company were listed on the Main Board of the Stock Exchange, pursuant to which 500,000,000 shares were issued by the Company at the offering price of HK$0.25 per share, with net proceeds of approximately HK$82.1 million after deducting underwriting commissions and other related listing expenses. As of the date of this report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the prospectus of the Company dated 31 December 2018.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this report, there are no major events subsequent to 31 December 2018 which would materially affect the Group's operating and financial performance as of the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company's shares were first listed on the Main Board of the Stock Exchange on 15 January 2019 (the "Listing Date"). During the period from the Listing Date up to the date of this announcement, neither our Company, nor its subsidiary have purchased, redeemed or sold any of the Company's listed securities.

FUTURE PROSPECTS

The Group aim to strengthen our leading position in the heavy trucks' interior decorative product market and increase our market share in the passenger vehicles' interior decorative products market in North West China by pursuing the following strategies:

To satisfy the anticipated increase in the demand of our automotive decorative products, we intend to purchase new machinery and equipment and upgrade and automate our existing production lines to increase our production capacity, product quality and efficiency.

We plan to expand our research facility by modifying and converting part of our existing office area to a larger research and development centre. We plan to enhance our research and development capability by recruiting relevant talents in the industry, purchasing design and simulation software licenses.

Leveraging our experience, technical expertise and know-how accumulated over the years, we analyse the latest technological trends and introduce new products in response to our customers' needs and requirements to enhance our market penetration and broaden our product offerings.

We intend to allocate more resources and increase our market penetration in the automotive interior decorative product market in North West China and its surrounding regions. We plan to increase our sales and marketing efforts in North West China to develop new relationships and deepen existing relationships with our target customers in these areas.

In order to better manage our growing business, we plan to upgrade our enterprise resource planning system, human resources information system and financial information system to assist us in our day-to-day operational tasks.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our Company with effect from the Listing Date, save for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and employees' securities transactions. Upon specific enquiries, all Directors and members of the senior management confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this announcement.

AUDITORS

KPMG was appointed as the auditor for the financial statements of the Group prepared in accordance with the IFRSs for the year ended 31 December 2018. The figures in respect of the Group's financial statements set out in this announcement are consistent with those in the financial statements which have been audited by KPMG.

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2018. 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.

REVIEW OF ANNUAL RESULTS

The audit committee had reviewed together with the management and the auditor of the Company the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including the annual results and the audit of the consolidated financial statements for the year ended 31 December 2018.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2018 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 2018 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

Xian, the PRC, 26 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Hou Jianli, Ms. Chen Bierui and Mr. Zhao Shijie, and three independent non-executive Directors, namely Mr. Zhu Hongqiang, Mr. Zhou Genshu and Mr. Shin Yick Fabian.