中汽内饰
CHINA AUTOMOTIVE

中 國 汽 車 內 飾 集 團 有 限 公 司

CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0048)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of Directors (the "Board") of China Automotive Interior Decoration Holdings Limited (the "Company") is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 together with the comparative figures for the preceding financial year ended 31 December 2018.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*5*	**260,896**	194,527
Cost of sales		**(236,956)**	(176,568)
Gross profit		**23,940**	17,959
Other gains or losses	*6*	**271**	(21,490)
Selling and distribution costs		**(8,906)**	(9,474)
Share of result of an associate		**3,362**	(10,579)
Administrative expenses		**(47,948)**	(38,078)
Loss from operations	*7*	**(29,281)**	(61,662)
Finance costs	*8*	**(2,201)**	(1,974)
Loss before tax		**(31,482)**	(63,636)
Income tax expense	*9*	**1,306**	(1,289)
Loss for the year attributable to the owners of the Company		**(30,176)**	(64,925)

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Loss for the year		**(30,176)**	(64,925)
Other comprehensive income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**4,335**	8,434
Exchange differences arising on an associate		**339**	903
Total other comprehensive income for the year		**4,674**	9,337
Total comprehensive loss for the year attributable to the owners of the Company		**(25,502)**	(55,588)
Loss per share		***RMB***	*RMB*
			(Restated)
– Basic and diluted	*10*	**(7.6) cents**	(16.3) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**50,160**	52,234
Right-of-use assets		**7,102**	–
Prepaid land lease payments		**–**	2,479
Interest in an associate		**12,366**	14,185
Deferred tax assets		**1,875**	851
		71,503	69,749
Current assets			
Prepaid land lease payments		**–**	73
Inventories		**32,599**	31,928
Trade receivables	*12*	**123,257**	116,887
Bills receivables		**7,369**	5,083
Prepayments, deposits and other receivables		**38,318**	38,469
Financial assets at fair value through profit or loss		**23,415**	30,611
Cash and bank balances		**26,101**	32,381
		251,059	255,432
Total assets		**322,562**	325,181
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*14*	**163,359**	163,359
Reserves		**12,754**	35,390
Total equity		**176,113**	198,749

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**3,262**	–
		3,262	–
Current liabilities			
Trade payables	*13*	**30,563**	24,136
Accruals and other payables		**17,282**	13,644
Contract liabilities		**16,086**	11,978
Bank borrowings		**40,000**	40,000
Lease liabilities		**1,477**	–
Tax payable		**37,779**	36,674
		143,187	126,432
Total liabilities		**146,449**	126,432
Total equity and liabilities		**322,562**	325,181
Net current assets		**107,872**	129,000
Total assets less current liabilities		**179,375**	198,749
Net assets		**176,113**	198,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

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

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

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

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 January 2019, the Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

v. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities ranged from 4.60% to 5.36%.

	At 1 January 2019 *RMB'000* (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	7,824
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	(450)
Less: Effect from discounting at the incremental borrowing rate as at 1 January 2019	(957)
Lease liabilities	6,417
Analysed as:	
Current	1,682
Non-current	4,735
	6,417

	Right-of-use assets *RMB'000* (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	6,417
Reclassified from prepaid land lease payments *(note i)*	2,552
	8,969
By class	
Leasehold land	2,552
Leased properties	6,417
	8,969

Note:

(i) Upfront payments for leasehold lands in the PRC were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB73,000 and RMB2,479,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 December 2018 *RMB'000* *(Audited)*	Adjustments *RMB'000* *(Unaudited)*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***RMB'000*** ***(Unaudited)***
Non-current assets			
Prepayment land lease payments	2,479	(2,479)	**–**
Right-of-use assets	–	8,969	**8,969**
Current assets			
Prepayment land lease payments	73	(73)	**–**
Current liabilities			
Lease liabilities – due within one year	–	(1,682)	**(1,682)**
Non-current liabilities			
Lease liabilities – due over one year	–	(4,735)	**(4,735)**

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Issued but not yet effective Hong Kong Financial Reporting Standard

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2021
3 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
4 Effective for annual periods beginning on or after 1 January 2020

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.

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	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment revenue:						
Sales to external customers	**76,861**	45,319	**184,035**	149,208	**260,896**	194,527
Segment results	**(2,963)**	(6,827)	**(3,729)**	(2,039)	**(6,692)**	(8,866)
Unallocated corporate income					**50**	101
Unallocated corporate expenses					**(22,639)**	(52,897)
Loss from operations					**(29,281)**	(61,662)
Finance costs					**(2,201)**	(1,974)
Loss before tax					**(31,482)**	(63,636)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2019 and 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. 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, share of result of an associate and central operating expenses including staff costs, finance costs. 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	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
ASSETS						
Segment assets	**39,876**	50,398	**245,825**	239,838	**285,701**	290,236
Unallocated corporate assets					**36,861**	34,945
Total assets					**322,562**	325,181
LIABILITIES						
Segment liabilities	**8,261**	4,872	**99,825**	84,812	**108,086**	89,684
Unallocated corporate liabilities					**38,363**	36,748
Total liabilities					**146,449**	126,432

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**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Capital expenditure	**–**	–	**7,481**	3,399	**7,481**	3,399
Depreciation of property, plant and equipment	**152**	145	**6,129**	5,941	**6,281**	6,086
Depreciation on right-of-use assets	**352**	–	**1,534**	–	**1,886**	–
Amortisation of prepaid land lease payments	**–**	–	**–**	73	**–**	73
Inventories written off	**–**	–	**299**	759	**299**	759
Allowance for expected credit losses recognised on trade receivables	**999**	24	**4,302**	1,559	**5,301**	1,583
Reversal of allowance for expected credit losses recognised on trade receivables	**(12)**	(97)	**(253)**	(173)	**(265)**	(270)
Allowance for expected credit losses recognised on other receivables	**2,341**	8	**5**	8	**2,346**	16
Reversal of allowance for expected credit losses recognised on other receivables	**(2)**	–	**(24)**	–	**(26)**	–
(Gain)/Loss on disposal of property, plant and equipment	**–**	–	**(90)**	593	**(90)**	593

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*	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
The PRC	**196,682**	194,527	**57,203**	54,562
Hong Kong	**64,214**	–	**59**	151
	260,896	194,527	**57,262**	54,713

* *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 2019, revenue generated from two (2018: one) customers of the Group amounting to approximately RMB66,924,000 (2018: RMB21,746,000) 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 2019 and 2018.

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	**69,201**	47,091
– Sales of other automotive parts	**114,834**	102,116
Sales of rubber	**1,844**	11,077
Sales of food products	**75,017**	34,243
Total revenue recognised at a point in time	**260,896**	194,527

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income	**50**	101
Fair value loss on financial assets at fair value through profit or loss	**(6,713)**	(34,108)
Others *(note)*	**6,934**	12,517
	271	(21,490)

Note: Included the amounts of sales of scrap raw materials for the year ended 31 December 2019 amounted to approximately RMB6,920,000 (2018: RMB12,365,000).

7. LOSS FROM OPERATIONS

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Auditors' remuneration	**850**	964
Amortisation of prepaid land lease payments	**–**	73
Depreciation of property, plant and equipment	**6,281**	6,086
Depreciation of right-of-use assets	**1,886**	–
Operating lease rentals in respect of rented premises	**–**	2,748
Payment to short term leases	**497**	–
Staff costs including directors' remuneration:		
– Salaries and other benefits	**20,503**	17,793
– Retirement benefits scheme contributions	**3,731**	3,428
Cost of inventories recognised as cost of sales	**196,478**	146,496
(Gain)/Loss on disposal of property, plant and equipment	**(90)**	593
Inventories written off	**299**	759
Allowance for expected credit losses on trade receivables	**5,301**	1,583
Reversal of allowance for expected credit losses on trade receivables	**(265)**	(270)
Allowance for expected credit losses on other receivables	**2,346**	16
Reversal of allowance for expected credit losses on other receivables	**(26)**	–
Impairment loss on interest in associate	**5,520**	1,396
Share based payment expenses	**2,866**	–
Research and development expenditure *(Note 1)*	**2,592**	6,211

Note:

1. The amounts included in cost of sales for the year ended 31 December 2019 amounted to approximately RMB2,592,000 (2018: RMB6,211,000).

8. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expenses on bank borrowings wholly repayable within five years	**1,911**	1,974
Interest expenses on lease liabilities	**290**	–
	2,201	1,974

9. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax		
Hong Kong	**73**	206
PRC enterprise income tax ("EIT")	**1,093**	2,020
	1,166	2,226
Over provision for in previous years		
PRC EIT	**(1,448)**	(618)
Deferred tax		
Credited to the consolidated statement of profit or loss and other comprehensive income	**(1,024)**	(319)
	(1,306)	1,289

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000.000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

Pursuant to the enterprise income tax rules and regulations of the PRC, the applicable PRC EIT rate of the Group's PRC subsidiary for the year ended 31 December 2019 is 25% (2018: 25%).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately RMB30,176,000 (2018: approximately RMB64,925,000) and the weighted average number of ordinary shares of 398,131,200 (2018: restated 398,131,200) in issue during the year as adjusted to reflect the effect of the effect of the share consolidation. Comparative figure have also been adjusted on the assumption that the share consolidation had been effective in the prior period.

Diluted loss per share

For the years ended 31 December 2019 and 2018 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 2019 (2018: Nil).

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**132,351**	120,945
Less: allowance for expected credit losses	**(9,094)**	(4,058)
	123,257	116,887

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**42,487**	70,480
91 to 180 days	**44,410**	14,350
181 to 365 days	**24,271**	11,488
Over 365 days	**12,089**	20,569
	123,257	116,887

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**13,936**	9,873
91 to 180 days	**893**	656
181 to 365 days	**1,360**	145
Over 365 days	**14,374**	13,462
	30,563	24,136

Trade payables generally have credit terms ranging from 10 days to 60 days (2018: ranging from 10 days to 60 days).

14. SHARE CAPITAL

	Note	**Number of shares**	**Amount** *HK$'000*	**Amount** *RMB'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018		10,000,000,000	1,000,000	863,495
Share consolidation *(Note (i))*		(8,000,000,000)	–	–
At 31 December 2019		2,000,000,000	1,000,000	863,495
Issued and fully paid:				
At 31 December 2017, 1 January 2018 and 31 December 2018		1,990,656,000	199,065	163,359
Share consolidation *(Note (i))*		(1,592,524,800)	–	–
At 31 December 2019		398,131,200	199,065	163,359

Notes:

(i) The 2019 Share Consolidation became effective on 27 December 2019 on the basis of every five issued and unissued ordinary shares of par value HK$0.1 each in the share capital of the Company being consolidated into one consolidated share of par value HK$0.5 each.

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 ("CAAM"), the production and sales of passenger vehicles in the PRC were approximately 21,360,000 units and 21,444,000 units respectively for the year ended 31 December 2019, representing a decrease of approximately 9.2% and 9.6%. As a result of increasing competition in the automotive industry, although the total revenue of this business operation increased by approximately 23.3% to RMB184.0 million, there were decrease in profit margin of manufacturing and sale of nonwoven fabric products of the Group and increase in loss on segment result to approximately RMB3.7 million for the year ended 31 December 2019.

Supply and procurement operation

Since 2016, the Group resumed the business of trading of food products such as dairy products, flour-based products and nuts which generated steady income to the Group for the year ended 31 December 2019.

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.

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 2019. GEO Securities has the licenses to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (Asset Management) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong. The Group shared a profit of an associate of approximately RMB3.4 million for the year ended 31 December 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2019 and 2018 was illustrated as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	**69,201**	47,091
– Sales of other automotive parts	**114,834**	102,116
Sales of rubber	**1,844**	11,077
Sales of food products	**75,017**	34,243
	260,896	194,527

For the year ended 31 December 2019, the Group's revenue increased to approximately RMB260.9 million, compared to approximately RMB194.5 million in 2018, representing an increase of approximately 34.1%. The increase in the Group's revenue was mainly attributable to the increase in revenue of manufacturing and sale of nonwoven fabric products and trading of food products.

Gross profit

For the year ended 31 December 2019, the Group's gross profit increased by approximately 33.3% to approximately RMB23.9 million. The increase was mainly due to the increase in the Group's revenue.

Other gain or losses

For the year ended 31 December 2019, the Group's other gain or losses changed by approximately RMB21.8 million from a loss of approximately RMB21.5 million in 2018 to a gain of approximately RMB0.3 million in 2019. The change was mainly due to the decrease of fair value loss on financial assets at fair value through profit or loss by approximately RMB27.4 million as compared to that for the corresponding period of 2018. The financial assets at fair value through profit or loss 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 2019, as i) the increase in the Group's revenue and ii) the recognition of share based payment expenses of approximately RMB2.9 million, the Group's administrative expenses increased by approximately RMB9.8 million to approximately RMB47.9 million.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB30.2 million for the year of 2019 compared with a loss of approximately RMB64.9 million for the corresponding period of 2018. The change was mainly due to the increase in the Group's revenue and the decrease of fair value loss on financial assets at fair value through profit or loss during the year ended 31 December 2019.

PROSPECT AND OUTLOOK

The Board expects that 2020 will be a challenging year for the business of manufacturing and sale of nonwoven fabric products as the continuously increase in production costs for maintaining competitiveness, enhancing safety requirements to cope with the development of the automotive industry and the outbreak of novel coronavirus (COVID-19) in early 2020.

The COVID-19 pandemic has brought about uncertainties in the Group's operating environment in the PRC. According to the statistics released from CAAM, the production and sales of passenger vehicles in the PRC were approximately 1,630,000 units and 1,830,000 units respectively for the two months ended 29 February 2020, representing a decrease of approximately 48.1% and 43.6% as compared to the same period last year. Since the COVID-19 pandemic, the PRC Government has taken emergency measures to prevent the spread of the COVID-19 in the PRC, including, among others, imposing restriction on work resumption date after the statutory holidays for Chinese New Year. Although the factories of the Group has resumed since the end of February 2020, the Board expected that there will be a drop in revenue of manufacturing and sale of nonwoven fabric products during the first half of 2020 as the customers generally adopted a wait-and-see approach to place orders.

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

(1) upgrading the production lines in order to improve the production efficiency;

(2) installing new machineries to suit the customers' varying requirements and demands on high-end products;

(3) conducting research and development to keep up with the latest technological trends in relation to product specifications; and

(4) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric industry in the PRC.

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

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

The COVID-19 pandemic has certain impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 pandemic and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 pandemic, in the opinion of the directors, the related impact on our Group's financial condition, cash flows and operating results could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

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.

CAPITAL REORGANISATION

Pursuant to an ordinary resolution passed by the shareholders of the Company at the general meeting held on 23 December 2019 ("EGM"), every five issued and unissued shares with a par value of HK$0.1 each in the share capital of the Company be consolidated into one share with a par value of HK$0.5 ("Consolidated Share") in the share capital of the Company with effect from 27 December 2019.

Pursuant to a special resolution passed by the shareholders of the Company at the EGM and an order given by the Grand Court of the Cayman Islands, the par value of each Consolidated Share was reduced from HK$0.5 each to HK$0.005 each by cancelling the paid-up capital of the Company to the extent of HK$0.495 on each Consolidated Share with effect from 3 March 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internal cash resources and bank financing during 2019. At 31 December 2019, cash and bank balances of the Group amounted to approximately RMB26.1 million (2018: RMB32.4 million), and approximately RMB19.1 million (2018: RMB18.6 million) of which are denominated in Hong Kong dollars and United States dollars.

At 31 December 2019, the Group's liquidity ratio, represented by the ratio of current assets over current liabilities, and gearing ratio, represented by the ratio of total liabilities to total assets, were 1.75 (2018: 2.02) and 0.45 (2018: 0.39) respectively.

CAPITAL STRUCTURE

Except for those disclosed under the section "CAPITAL REORGANISATION", there has been no material change in the capital structure of the Group since 31 December 2018.

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 2019, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2019, 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 2019, 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 2019	**At 31 December 2019**		At 31 December 2018
	Impairment loss	**Fair Value**	**Approximate percentage to the net assets**	Fair Value
	RMB'000	***RMB'000***		*RMB'000*
	(Unaudited)	**(Unaudited)**		(Audited)
Discretionary Fund	**2,897**	**16,235**	**9.2%**	18,828

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 2019.

PLEDGE ON ASSETS

At 31 December 2019, the Group's buildings with a carrying amounts of approximately RMB5.4 million (2018: RMB5.7 million) and leasehold land with a carrying amounts of approximately RMB2.4 million (2018: RMB2.5 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2019, the Group employed a total of 102 employees (2018: 141). The remuneration policy of the employees of the Group was set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange ("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 2019.

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, Mr. Mak Wai Ho was unable to attend the EGM, and Ms. Ng Li La, Adeline and Ms. Zhu Chunyan, were unable to attend the annual general meeting of the Company held on 20 June 2019 and the EGM. However, the senior management and the executive Directors of the Company subsequently reported to them on the enquiries from the shareholders of the Company in the general meetings for them to gain and develop a balanced understanding of the views of shareholders of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 13 September 2010 with written terms of reference in compliance with the Listing Rules. At 31 December 2019, 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 ("2019 Financial Results") has not been completed as at the date hereof due to restrictions in force in parts of the PRC to combat the COVID-19 pandemic. The unaudited consolidated results of the Group for the year ended 31 December 2019 contained herein have been reviewed by the audit committee but have not been agreed with the Company's auditor. An announcement relating to the audited 2019 Financial Results will be published when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF 2019 ANNUAL REPORT AND THE AUDITED 2019 FINANCIAL RESULTS

Publication of the annual report of the Group for the year ended 31 December 2019 (the "2019 Annual Report") containing all the information required by the Listing Rules and the audited 2019 Financial Results will be delayed due to the COVID-19 pandemic which caused a disruption in the auditing process. While the completion of the auditing process depends on the travel restrictions and quarantine arrangements in relation to the COVID-19 pandemic, it is therefore difficult to estimate a completion date for the auditing process with reasonable preciseness. However, the Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements both in Hong Kong and the PRC, and hopefully, expects to publish the 2019 Annual Report and the audited 2019 Financial Results by 14 May 2020 in accordance with further guidance on the joint statement issued by the Stock Exchange and the Securities and Futures Commission dated 16 March 2020. Further announcement(s) will be made as and when appropriate.

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

Hong Kong, 27 March 2020

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.