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CHINA TIANRUI AUTOMOTIVE INTERIORS CO., LTD
中國天瑞汽車內飾件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6162)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December		Change
	2020	2019	
	RMB'000	RMB'000	
Revenue	379,555	297,907	27.4%
Gross profit	116,906	101,188	15.5%
Gross profit margin	30.8%	34.0%	-3.2%pts
Profit attributable to equity shareholders	50,874	44,822	13.5%
Earnings per share			
Basic and diluted (RMB cents)	2.54	2.25	12.9%
Interim dividend per share (paid)			
(HK\$ cents)	–	0.6	N/A
Final dividend per share (proposed)			
(HK\$ cents)	0.6	0.6	–

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianrui Automotive Interiors Co., LTD (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 together with the comparative figures in 2019 and the relevant explanatory notes.

Consolidated statement of profit or loss
for the year ended 31 December 2020
(Expressed in Renminbi (“RMB”))

	Note	2020	2019
		RMB'000	RMB'000
Revenue	3	379,555	297,907
Cost of sales		<u>(262,649)</u>	<u>(196,719)</u>
Gross profit	3(b)	116,906	101,188
Other income	4	6,466	6,056
Selling and distribution expenses		(9,737)	(9,266)
Administrative expenses		(41,282)	(37,793)
Impairment losses reversed/(provided) for the year on trade and other receivables		<u>706</u>	<u>(2,544)</u>
Profit from operations		73,059	57,641
Finance costs	5(a)	<u>(9,804)</u>	<u>(5,724)</u>
Profit before taxation	5	63,255	51,917
Income tax	6(a)	<u>(12,381)</u>	<u>(7,095)</u>
Profit attributable to equity shareholders of the Company for the year		<u>50,874</u>	<u>44,822</u>
Earnings per share			
Basic and diluted (RMB cents)	7	<u>2.54</u>	<u>2.25</u>

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2020
(Expressed in RMB)

	2020	2019
	RMB'000	RMB'000
Profit for the year	50,874	44,822
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency of the Group	<u>(696)</u>	<u>(127)</u>
Total comprehensive income attributable to equity shareholders of the Company for the year	<u>50,178</u>	<u>44,695</u>

Consolidated statement of financial position

at 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		169,922	128,983
Intangible assets		479	–
Prepayments for acquisitions of property, plant and equipment		9,949	22,962
Deferred tax assets		1,753	1,880
		<u>182,103</u>	<u>153,825</u>
Current assets			
Inventories		78,466	60,814
Trade and bills receivables	8	254,962	235,944
Prepayments and other receivables		12,893	12,021
Cash at bank and on hand		97,484	59,948
		<u>443,805</u>	<u>368,727</u>
Current liabilities			
Bank and other loans		88,667	73,691
Trade and bills payables	9	223,388	168,406
Accrued expenses and other payables		28,984	36,409
Lease liabilities		1,064	1,007
Current taxation		3,214	3,595
		<u>345,317</u>	<u>283,108</u>
Net current assets		<u>98,488</u>	<u>85,619</u>
Total assets less current liabilities		<u>280,591</u>	<u>239,444</u>

Consolidated statement of financial position
at 31 December 2020 (continued)
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other loans		7,349	4,395
Lease liabilities		1,048	1,983
Deferred income		2,122	2,347
		<u>10,519</u>	<u>8,725</u>
NET ASSETS		<u>270,072</u>	<u>230,719</u>
CAPITAL AND RESERVES			
Share capital	10	17,522	17,522
Reserves		252,550	213,197
TOTAL EQUITY		<u>270,072</u>	<u>230,719</u>

Notes to the financial statements

(Expressed in RMB unless otherwise indicated)

1 Corporate information

China Tianrui Automotive Interiors Co., LTD (the “**Company**”) was incorporated in the Cayman Islands on 27 April 2017 as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 January 2019. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacture and sale of automotive interior and exterior decorative components and parts.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

None of these amendments have had a material effect on the financial position and the financial result of the Group. Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	2020	2019
	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	332,448	254,732
– Sales of passenger vehicles' decorative components and parts	47,107	43,175
	<u>379,555</u>	<u>297,907</u>

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:

	2020	2019
	RMB'000	RMB'000
Customer A	177,268	112,140
Customer B	144,378	107,113

(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 2020 and 2019. 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 2020 and 2019 is set out below.

	2020		
	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	<u>332,448</u>	<u>47,107</u>	<u>379,555</u>
Reportable segment gross profit	<u>113,082</u>	<u>3,824</u>	<u>116,906</u>
	2019		
	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	<u>254,732</u>	<u>43,175</u>	<u>297,907</u>
Reportable segment gross profit	<u>92,687</u>	<u>8,501</u>	<u>101,188</u>

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

	2020 RMB'000	2019 RMB'000
Total reportable segment gross profit	116,906	101,188
Other income	6,466	6,056
Selling and distribution expenses	(9,737)	(9,266)
Administrative expenses	(41,282)	(37,793)
Impairment losses reversed/(provided) for the year on trade and other receivables	706	(2,544)
Finance costs	(9,804)	(5,724)
Consolidated profit before taxation	<u>63,255</u>	<u>51,917</u>

(iii) *Geographic information*

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

4 Other income

	2020	2019
	RMB'000	RMB'000
Government grants (including amortisation of deferred income)	2,926	3,421
Net gain on sales of medical goggles and scrap materials	3,215	637
Operating lease income	–	11
Interest income	243	248
Net gain on disposal of property, plant and equipment	12	73
Net foreign exchange gains	70	59
Compensation received from a constructor	–	1,200
Others	–	407
	<u>6,466</u>	<u>6,056</u>

5 Profit before taxation

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

(a) *Finance costs*

	2020	2019
	RMB'000	RMB'000
Interests on bank and other loans	9,647	5,573
Interest on lease liabilities	157	151
	<u>9,804</u>	<u>5,724</u>

No borrowing costs have been capitalised during the year ended 31 December 2020 (2019: RMB Nil).

(b) *Staff costs*[#]

	2020	2019
	RMB'000	RMB'000
Salaries, wages and other benefits	49,725	37,077
Contributions to defined contribution retirement plan	408	3,617
	50,133	40,694

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in the defined contribution retirement benefit plan managed by the local government authority, whereby the subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of the subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above-mentioned retirement plan at their normal retirement age. During the year ended 31 December 2020, the subsidiaries established in the PRC have been granted certain exemption on the contributions to defined contribution retirement plans by the local government authority as a result of the COVID-19 impact for the period from February 2020 to December 2020.

The Group also operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars (“**HK\$**”) 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) **Other items**

	2020	2019
	RMB'000	RMB'000
Amortisation [#]	65	–
Depreciation charge [#]		
– owned property, plant and equipment	17,207	13,154
– right-of-use assets	<u>775</u>	<u>579</u>
	<u>18,047</u>	<u>13,733</u>
Auditors' remuneration		
–audit service	1,800	1,800
Research and development costs	18,162	15,287
Cost of inventories [#]	<u>262,649</u>	<u>196,719</u>

Cost of inventories includes RMB45,475,000 (2019: RMB35,044,000) 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:**

	2020	2019
	RMB'000	RMB'000
Current taxation:		
Provision for the year	12,254	8,217
Deferred taxation:		
– Origination and reversal of temporary differences	<u>127</u>	<u>(1,122)</u>
	<u>12,381</u>	<u>7,095</u>

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

	2020	2019
	RMB'000	RMB'000
Profit before taxation	<u>63,255</u>	<u>51,917</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	16,176	13,732
Tax effect of non-deductible items	512	195
Tax effect on preferential tax rate (Note (iv))	(4,697)	(5,116)
Tax effect on bonus deduction of research and development costs (Note (v))	(2,156)	(1,687)
Others	<u>2,546</u>	<u>(29)</u>
Actual tax expense	<u>12,381</u>	<u>7,095</u>

Notes:

- (i) The Company incorporated in the Cayman Islands and the subsidiary of the Group incorporated in the British Virgin Islands (the “**BVI**”) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%). The entity did not have assessable profits which is subject to Hong Kong Profits Tax for the year ended 31 December 2020 (2019: RMB Nil).
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2020 (2019: 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. Xi’an Tianrui Automotive Interiors Co., Ltd. (“**Xi’an Tianrui**”), a subsidiary of the Group, is qualified as a HNTE and the qualification is valid for three years from 2019 to 2021.
- (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% (2019: 75%) 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 2020 is calculated based on the profit attributable to equity shareholders of the Company of RMB50,874,000 (2019: RMB44,822,000) and the weighted average of 2,000,000,000 (2019: 1,995,890,411) ordinary shares.

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

	2020	2019
Issued ordinary shares at 1 January	2,000,000,000	1,500,000,000
Issuance of shares by initial public offering (Note 10(a)(i))	<u>–</u>	<u>495,890,411</u>
Weighted average number of ordinary shares at 31 December	<u>2,000,000,000</u>	<u>1,995,890,411</u>

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2020 and 2019.

8 Trade and bills receivables

	2020 RMB'000	2019 RMB'000
Trade receivables, net of loss allowance	131,660	161,504
Bills receivables	<u>123,302</u>	<u>74,440</u>
	<u>254,962</u>	<u>235,944</u>

All of the trade and bills receivables, net of loss allowance for doubtful debts (if any), are expected to be recovered within one year.

(a) *Ageing analysis*

At the end of reporting period, the ageing analysis of trade and bills receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2020	2019
	RMB'000	RMB'000
Less than 3 months	216,239	121,147
3 to 6 months	36,338	33,520
6 to 12 months	2,385	79,667
More than 1 year	<u>–</u>	<u>1,610</u>
	<u>254,962</u>	<u>235,944</u>

9 Trade and bills payables

	2020	2019
	RMB'000	RMB'000
Trade payables	141,640	109,003
Bills payables	<u>81,748</u>	<u>59,403</u>
	<u>223,388</u>	<u>168,406</u>

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:

	2020	2019
	RMB'000	RMB'000
Less than 3 months	117,293	95,105
3 to 6 months	99,238	57,476
6 to 12 months	6,169	14,727
Over 1 year	<u>688</u>	<u>1,098</u>
	<u>223,388</u>	<u>168,406</u>

10 Capital and dividends

(a) Share capital

	2020		2019	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
	2020		2019	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	2,000,000,000	17,522	1,500,000,000	13,216
Issuance of shares by initial public offering (Note (i))	<u>–</u>	<u>–</u>	<u>500,000,000</u>	<u>4,306</u>
At 31 December	<u>2,000,000,000</u>	<u>17,522</u>	<u>2,000,000,000</u>	<u>17,522</u>

Note:

(i) Issuance of shares by initial public offering

On 15 January 2019, 500,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.25 each upon the listing of the shares of the Company on the Main Board of the Stock Exchange. The proceeds of HK\$5,000,000 (equivalent to approximately RMB4,306,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses of RMB7,874,000, of approximately HK\$101,198,000 (equivalent to approximately RMB87,152,000) were credited to the share premium account.

(b) Dividends

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

	2020	2019
	RMB'000	RMB'000
Interim dividend declared and paid after the interim period of HK\$Nil cents per ordinary share (2019: HK\$0.6 cents per ordinary share)	–	10,661
Final dividend proposed after the end of the reporting period of HK\$0.6 cents per ordinary share (2019: HK\$0.6 cents per ordinary share)	<u>10,024</u>	<u>10,825</u>
	<u>10,024</u>	<u>21,486</u>

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

	2020	2019
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid/payable during the year	<u>10,825</u>	<u>10,220</u>

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; (ii) increase in demand from logistics industry and construction industry; (iii) higher requirements for comfort; and (iv) regulatory control and policy support. The Board expects that the automotive interior products market in the PRC will 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 Group is principally engaged in the manufacture and sale of automotive interior and exterior decorative components and parts. Set forth below is the breakdown of our revenue by product category for the years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Heavy trucks' decorative components and parts	332,448	87.6	254,732	85.5
Passenger vehicles' decorative components and parts	47,107	12.4	43,175	14.5
Total	<u>379,555</u>	<u>100.0</u>	<u>297,907</u>	<u>100.0</u>

Revenue from sales of heavy trucks' decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts increased from approximately RMB254.7 million for the year ended 31 December 2019 to approximately RMB332.4 million for the year ended 31 December 2020, representing an increase of approximately 30.5%, mainly due to the increasing customers demand of our Group's heavy trucks' decorative components and parts, which was principally attributable to the increase in construction and industrial activities. Since heavy trucks were widely applied in infrastructure construction and logistics industries while the construction and logistics industries were stimulated by the policies such as "One Belt, One Road" and "Yangtze River Economic Zone", there has been a constant increase in the demand for heavy trucks.

Revenue from sales of passenger vehicles' decorative components and parts

Revenue generated from sales of passenger vehicles' decorative components and parts increased from approximately RMB43.2 million for the year ended 31 December 2019 to approximately RMB47.1 million for the year ended 31 December 2020, representing an increase of approximately 9.1%. Such increase was mainly due to our expansion of sales shares of our existing customers.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately RMB297.9 million for the year ended 31 December 2019 to approximately RMB379.6 million for the year ended 31 December 2020, representing an increase of approximately 27.4%. 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 gross profit increased from approximately RMB101.2 million for the year ended 31 December 2019 to approximately RMB116.9 million for the year ended 31 December 2020, representing an increase of approximately 15.5%. Our overall gross profit margin decreased from approximately 34.0% for the year ended 31 December 2019 to approximately 30.8% for the year ended 31 December 2020. Such decrease was mainly due to lower selling price for some products sold during the year and higher purchase price for raw materials.

Other income

Our other income increased from approximately RMB6.1 million for the year ended 31 December 2019 to approximately RMB6.5 million for the year ended 31 December 2020, representing an increase of approximately 6.8%. Such change was primarily due to (i) the compensation of RMB1.2 million received from a contractor in 2019; (ii) the reduction of RMB0.5 million in government subsidy recognised in 2020 compared to 2019; and (iii) the increase of RMB2.6 million in the revenue from the sales of medical goggles and scrap materials in 2020.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately RMB9.3 million for the year ended 31 December 2019 to approximately RMB9.7 million for the year ended 31 December 2020, representing an increase of approximately 5.1%. The increase was mainly due to the increase in transportation costs as a result of the increase in our sales volume.

Administrative expenses

Our administrative expenses increased from approximately RMB37.8 million for the year ended 31 December 2019 to approximately RMB41.3 million for the year ended 31 December 2020, representing an increase of 9.2%. The increase was mainly due to the increase of approximately RMB2.9 million in research and development expenses in 2020.

Impairment losses reversed/ (provided) for the year on trade and other receivables

The Group reversed impairment losses on trade and other receivables of approximately RMB0.7 million for the year ended 31 December 2020, compared to provision of impairment losses on trade and other receivables of approximately RMB2.5 million for the year ended 31 December 2019. The reversal at 31 December 2020 was mainly due to the decrease in trade receivables.

Finance costs

Our finance costs increased from approximately RMB5.7 million for the year ended 31 December 2019 to approximately RMB9.8 million for the year ended 31 December 2020, representing an increase of approximately 71.3%. The increase was mainly due to (i) the increase in capital needed for daily operating activities such as purchase arising from the growth of sales revenue in 2020; and (ii) the increase in capital needed for the investments in equipments and moulds of new projects in 2020.

Income tax

Our income tax expenses increased from approximately RMB7.1 million for the year ended 31 December 2019 to approximately RMB12.4 million for the year ended 31 December 2020, representing an increase of 74.5%. The increase was mainly due to the increase of the profit before taxation during the period. The effective tax rate increased from approximately 13.7% for the year ended 31 December 2019 to approximately 19.6% for the year ended 31 December 2020, mainly due to the fact that Baoji Qinrui Automotive Interiors Co., Ltd (寶雞秦瑞汽車內飾件有限公司), a subsidiary of Xi'an Tianrui established in 24 July 2019, did not obtained the high-tech enterprise qualification certification and the income tax rate was 25%.

Profit for the year

As a result of the foregoing, our profit for the year increased from approximately RMB44.8 million for the year ended 31 December 2019 to approximately RMB50.9 million for the year ended 31 December 2020, representing an increase of approximately 13.5%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operating capital of the Group was mainly from cash from operating activities, bank and other loans. As at 31 December 2020 and 2019, cash and cash equivalents of the Group were approximately RMB56.6 million and RMB30.2 million, respectively.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies.

Bank and Other Loans

Bank and other loans increased from approximately RMB78.1 million for the year ended 31 December 2019 to approximately RMB96.0 million for the year ended 31 December 2020. Among them, the bank and other loans in the amounts of approximately RMB58.0 million (2019: RMB78.1 million) were secured by trade receivables and bills receivables, property, plant and equipment of the Group, and the credit loans and the loans guaranteed by third party amounted to approximately RMB38.0 million (2019: RMB Nil).

Gearing Ratio

The gearing ratio as at 31 December 2019 and 2020 were at 33.8% and 35.6%, respectively.

Gearing ratio equals total debts divided by total equity as at the end of the respective year. Total debts include all interest-bearing bank and other loans.

Inventories

Our inventories increased from approximately RMB60.8 million as at 31 December 2019 to approximately RMB78.5 million as at 31 December 2020, representing an increase of approximately 29.0%. Such increase was mainly due to an increase of production activities and scale in response to our business growth and the raw materials accumulated for processing certain sales orders to be delivered after the Lunar New Year in 2021.

Prepayments for acquisitions of property, plant and equipment

Our prepayment for acquisitions of property, plant and equipment decreased from approximately RMB23.0 million for the year ended 31 December 2019 to approximately RMB9.9 million for the year ended 31 December 2020, representing a decrease of approximately 56.7%. The decrease was mainly due to the fact that the prepayments made in 2019 have been reclassified to the property, plant and equipment in 2020.

Secured Assets

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

	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	84,576	76,615
Trade and bills receivables	30,625	46,718
	115,201	123,333

Capital Expenditure

As at 31 December 2020, the capital expenditures were approximately RMB36.9 million (2019: approximately RMB31.3 million). The capital expenditures incurred for the year ended 31 December 2020 primarily related to the construction of new plants and the purchase of new machinery and equipment.

Capital Commitments

As at 31 December 2020, the capital commitments in respect of property, plant and equipment contracted for approximately RMB26.5 million (2019: approximately RMB39.1 million).

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: RMB Nil).

FLUCTUATION OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have 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 2020.

DIVIDEND

The Board recommends the payment of a final dividend of HK\$12,000,000 (equivalent to approximately RMB10,024,000), representing HK\$0.6 cents per ordinary Share, for the year ended 31 December 2020. The proposed final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The Board hereby further announces that the final dividend is expected to be paid on or before 20 August 2021, to the shareholders of the Company whose names appear on the register of members of the Company on 23 June 2021. 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 2020, the Group had a total of 689 full time employees (2019: 540). For the year ended 31 December 2020, the Group incurred total staff costs of approximately RMB50.1 million (2019: approximately RMB40.7 million), representing an increase of approximately 23.2% as compared with those in 2019.

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

The Company was listed on the Stock Exchange on 15 January 2019 (the “**Listing Date**”). The net proceeds from the Company’s issue of new shares in the global offering, after deducting the underwriting commission and other related listing expenses payable by the Company in relation to the global offering, amounted to approximately HK\$82.1 million, which are intended to be applied in compliance with the intended use of proceeds set out in the section headed “Future Plans and Use of Proceeds” contained in the prospectus of the Company dated 31 December 2018 (the “**Prospectus**”). On 22 June 2020, the Board has resolved to change the unutilised net proceeds to allow the Company to deploy its financial resources more efficiently. For details, please refer to the Company’s announcement dated 22 June 2020.

Set out below are details of the use of proceeds up to 31 December 2020:

Use	Original planned use of net proceeds as set out in the Prospectus HK\$ million (approximately)	The reallocation of the use of net proceeds HK\$ million (approximately)	Actual usage up to 31 December 2020 HK\$ million (approximately)	Balance as at 31 December 2020 HK\$ million (approximately)
Improving the production capabilities and capacity	34.7	22.7	22.7	–
Partial repayment of bank loans	14.4	14.4	14.4	–
Enhancing the research and development capabilities	11.9	7.9	7.9	–
Improving and widening the product offerings	8.9	8.9	8.9	–
Establishing new offices and warehouses including the hiring of new salespersons and optimising and upgrading the information systems	3.9	3.9	3.9	–
General working capital	8.3	24.3	24.3	–
Total	<u>82.1</u>	<u>82.1</u>	<u>82.1</u>	<u>–</u>

MAJOR SUBSEQUENT EVENTS

The outbreak of the COVID-19 since early 2020 has brought additional uncertainties in the Group’s operating environment in the PRC. As far as the Group’s business are concerned, the outbreak has not negatively affected the Group’s financial performance for the year ended 31 December 2020 and up to date of the announcement. Management will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2020 and 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

Looking forward to the future, due to the development campaign of western regions (西部大開發) adopted in this area which would spur the development of infrastructure, such as transportation, energy, telecommunications, etc., and considering that Shaanxi Government will raise a special industrial fund of RMB4.0 billion to expedite the automotive industry, the Group will capitalize on this opportunity and continue to strengthen new product development with existing customers, actively expand new customers, continuously diversify product mix and enhance core competitiveness.

In order to cope with the increasingly fierce market competition, the Group has deployed in advance. With the experience, technical expertise and knowledge accumulated over years, we analyzed the latest technology trends and launched new products. Currently, we have obtained new projects such as rearview mirror, stream guidance cover and bumper assembly. It is expected that Standard Operating Procedure of five new products will be completed in 2021. We would also focus on standardization, automation, informatization and systematic construction, so as to boost the growth of sales revenue and continuous improvement of the management system.

IN COMPLIANCE WITH THE CORPORATE GOVERNMENT CODE

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our Company with effect from the Listing Date, save for the following deviation:

Pursuant to code provision 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 2020. 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 11 June 2021. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 8 June 2021 to 11 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 7 June 2021, being the business day before the first day of closure of the register of members.

(b) Entitlement to qualify for the final dividend

For determining the entitlement to the final dividend, the register of members of the Company will be closed from 18 June 2021 to 23 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to qualify for the final dividend, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on 17 June 2021, being the business day before the first day of closure of the register of members.

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 2020.

**PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2020 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 <http://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 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Tianrui Automotive Interiors Co., LTD
Hou Jianli
Chairman

Xi'an, the PRC, 26 March 2021

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