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中國汽車內飾集團有限公司

CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0048)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of Directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with the comparative figures for the preceding financial year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	5	141,626	260,896
Cost of sales		(128,141)	(236,956)
Gross profit		13,485	23,940
Other gains or losses	6	5,872	271
Selling and distribution costs		(4,014)	(8,906)
Share of result of an associate		2,622	3,362
Net allowance for expected credit losses		(6,097)	(7,356)
Administrative expenses		(15,681)	(40,592)
Loss from operations	7	(3,813)	(29,281)
Finance costs	8	(2,473)	(2,201)
Loss before tax		(6,286)	(31,482)
Income tax credit	9	2,396	1,306
Loss for the year attributable to the owners of the Company		(3,890)	(30,176)

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year		(3,890)	(30,176)
Other comprehensive (loss)/income for the year, net of income tax:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(3,299)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>788</u>	<u>4,674</u>
Total other comprehensive (loss)/income for the year		<u>(2,511)</u>	<u>4,674</u>
Total comprehensive loss for the year attributable to the owners of the Company		<u>(6,401)</u>	<u>(25,502)</u>
		<i>RMB</i>	<i>RMB</i> (Restated)
Loss per share			
– Basic and diluted	<i>10</i>	<u>(4.6) cents</u>	<u>(37.9) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		44,382	50,160
Right-of-use assets		8,551	7,102
Interest in an associate		13,714	12,366
Deferred tax assets		3,943	1,875
		70,590	71,503
Current assets			
Inventories		31,183	32,599
Trade receivables	<i>12</i>	128,612	123,257
Bills receivables		6,783	7,369
Prepayments, deposits and other receivables		24,174	38,318
Financial assets at fair value through profit or loss		27,142	23,415
Cash and bank balances		26,820	26,101
		244,714	251,059
Total assets		315,304	322,562
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	<i>14</i>	1,984	163,359
Reserves		174,080	12,754
Total equity		176,064	176,113

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
LIABILITIES			
Non-current liability			
Lease liabilities		<u>3,727</u>	<u>3,262</u>
		<u>3,727</u>	<u>3,262</u>
Current liabilities			
Trade payables	13	25,802	30,563
Accruals and other payables		11,408	17,282
Contract liabilities		20,110	16,086
Bank borrowings		40,000	40,000
Lease liabilities		2,608	1,477
Tax payable		<u>35,585</u>	<u>37,779</u>
		<u>135,513</u>	<u>143,187</u>
Total liabilities		<u>139,240</u>	<u>146,449</u>
Total equity and liabilities		<u>315,304</u>	<u>322,562</u>
Net current assets		<u>109,201</u>	<u>107,872</u>
Total assets less current liabilities		<u>179,791</u>	<u>179,375</u>
Net assets		<u>176,064</u>	<u>176,113</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 of financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	– Definition of Material
Amendments to HKFRS 3	– Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	– Interest Rate Benchmark Reform

The application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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.

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 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Lease”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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	
	2020	2019	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:						
Sales to external customers	<u>32,931</u>	<u>76,861</u>	<u>108,695</u>	<u>184,035</u>	<u>141,626</u>	<u>260,896</u>
Segment results	<u>2,027</u>	<u>(2,963)</u>	<u>(6,416)</u>	<u>(3,729)</u>	<u>(4,389)</u>	<u>(6,692)</u>
Unallocated corporate incomes					2,555	50
Unallocated corporate expenses					<u>(1,979)</u>	<u>(22,639)</u>
Loss from operations					(3,813)	(29,281)
Finance costs					<u>(2,473)</u>	<u>(2,201)</u>
Loss before tax					<u>(6,286)</u>	<u>(31,482)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2020 and 2019.

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 and income tax credit. 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	
	2020	2019	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS						
Segment assets	26,924	39,876	254,480	245,825	281,404	285,701
Unallocated corporate assets					<u>33,900</u>	<u>36,861</u>
Total assets					<u>315,304</u>	<u>322,562</u>
LIABILITIES						
Segment liabilities	4,816	8,261	101,316	99,825	106,132	108,086
Unallocated corporate liabilities					<u>33,108</u>	<u>38,363</u>
Total liabilities					<u>139,240</u>	<u>146,449</u>

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	
	2020	2019	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure	–	–	292	7,481	292	7,481
Depreciation of property, plant and equipment	–	152	6,058	6,129	6,058	6,281
Depreciation on right-of-use assets	377	352	1,861	1,534	2,238	1,886
Write-down of inventories	–	–	493	299	493	299
Allowance for expected credit losses recognised on trade receivables	12	999	14,019	4,302	14,031	5,301
Reversal of allowance for expected credit losses recognised on trade receivables	(1,011)	(12)	(5,737)	(253)	(6,748)	(265)
Allowance for expected credit losses recognised on other receivables	927	2,341	228	5	1,155	2,346
Reversal of allowance for expected credit losses recognised on other receivables	(2,339)	(2)	(2)	(24)	(2,341)	(26)
(Gain)/Loss on disposal of property, plant and equipment	–	–	12	(90)	12	(90)

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*	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
The PRC	130,850	196,682	52,512	57,203
Hong Kong	10,776	64,214	421	59
	<u>141,626</u>	<u>260,896</u>	<u>52,933</u>	<u>57,262</u>

* Non-current assets exclude interest in an associate and deferred tax assets.

Information about major customers

For the year ended 31 December 2020, revenue generated from one (2019: two) customer from manufacture and sale of nonwoven fabric products segment of the Group amounting to approximately RMB15,933,000 (2019: RMB66,924,000) 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 2020 and 2019.

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:

	2020 RMB'000	2019 RMB'000
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	40,027	69,201
– Sales of other automotive parts	68,668	114,834
Supply and procurement operation:		
Sales of rubber	8,366	1,844
Sales of food products	24,565	75,017
	<u>141,626</u>	<u>260,896</u>
Total revenue recognised at a point in time	<u>141,626</u>	<u>260,896</u>

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

	2020 RMB'000	2019 RMB'000
Interest income	37	50
Fair value gain/(loss) on financial assets at fair value through profit or loss	2,518	(6,713)
Others (<i>note</i>)	3,317	6,934
	<u>5,872</u>	<u>271</u>

Note: Included the amounts of sales of scrap raw materials for the year ended 31 December 2020 amounted to approximately RMB3,265,000 (2019: RMB6,920,000).

7. LOSS FROM OPERATIONS

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

	2020 RMB'000	2019 RMB'000
Auditors' remuneration	750	850
Depreciation of property, plant and equipment	6,058	6,281
Depreciation of right-of-use assets	2,238	1,886
Expenses for short term leases	232	497
Staff costs including directors' remuneration:		
– Salaries and other benefits	17,577	20,503
– Share based payment expenses	1,002	2,866
– Retirement benefits scheme contributions	2,578	3,731
Cost of inventories recognised as cost of sales	128,141	196,478
Loss/(Gain) on disposal of property, plant and equipment	12	(90)
Write-down of inventories	493	299
Allowance for expected credit losses on trade receivables	14,031	5,301
Reversal of allowance for expected credit losses on trade receivables	(6,748)	(265)
Allowance for expected credit losses on other receivables	1,155	2,346
Reversal of allowance for expected credit losses on other receivables	(2,341)	(26)
Impairment loss on interest in associate	–	5,520
Research and development expenditure (<i>Note 1</i>)	1,097	2,592

Note:

- The amounts included in cost of sales for the year ended 31 December 2020 amounted to approximately RMB1,097,000 (2019: RMB2,592,000).

8. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on bank borrowings wholly repayable within five years	1,911	1,911
Interest expenses on lease liabilities	283	290
Interest expenses on convertible bonds	279	–
	<u>2,473</u>	<u>2,201</u>

9. INCOME TAX CREDIT

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Hong Kong	–	73
PRC enterprise income tax (“EIT”)	(287)	(355)
	<u>(287)</u>	<u>(282)</u>
Deferred tax		
Credited to the consolidated statement of profit or loss and other comprehensive income	(2,109)	(1,024)
	<u>(2,396)</u>	<u>(1,306)</u>

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 years ended 31 December 2020 and 2019 is 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 RMB3,890,000 (2019: approximately RMB30,176,000) and the weighted average number of ordinary shares of 84,191,573 (2019: restated 79,626,240) 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 year ended 31 December 2019 diluted loss per share is the same as the basic loss per share because the effects of the Company's outstanding share options were anti-dilutive.

For the year ended 31 December 2020 diluted loss per share is the same as the basic loss per share because the effects of the Company's outstanding share options and conversion of convertible bonds were anti-dilutive.

11. DIVIDEND

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

12. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	144,989	132,351
Less: allowance for expected credit losses	(16,377)	(9,094)
	<u>128,612</u>	<u>123,257</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	76,587	42,487
91 to 180 days	25,027	44,410
181 to 365 days	8,395	24,271
Over 365 days	18,603	12,089
	<u>128,612</u>	<u>123,257</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 90 days	10,155	13,936
91 to 180 days	1,970	893
181 to 365 days	123	1,360
Over 365 days	13,554	14,374
	<u>25,802</u>	<u>30,563</u>

Trade payables generally have credit terms ranging from 10 days to 60 days.

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>	Amount <i>RMB'000</i>
Authorised:			
Ordinary shares of HK\$0.1 each At 1 January 2019	10,000,000,000	1,000,000	863,495
Share consolidation (<i>note (i)</i>)	(8,000,000,000)	–	–
Ordinary shares of HK\$0.5 each At 31 December 2019 and 1 January 2020	2,000,000,000	1,000,000	863,495
Capital reduction (<i>note (ii)</i>)	198,000,000,000	–	–
Share consolidation (<i>note (iii)</i>)	(160,000,000,000)	–	–
Ordinary shares of HK\$0.025 each At 31 December 2020	<u>40,000,000,000</u>	<u>1,000,000</u>	<u>863,495</u>
Issued and fully paid:			
At 1 January 2019	1,990,656,000	199,065	163,359
Share consolidation (<i>note (i)</i>)	(1,592,524,800)	–	–
At 31 December 2019 and 1 January 2020	398,131,200	199,065	163,359
Capital reduction (<i>note (ii)</i>)	–	(197,074)	(161,725)
Issue of share upon conversion of convertible bonds (<i>note (iv)</i>)	79,626,240	398	350
Share consolidation (<i>note (iii)</i>)	(382,205,952)	–	–
At 31 December 2020	<u>95,551,488</u>	<u>2,389</u>	<u>1,984</u>

Note:

- (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.
- (ii) On 3 March 2020, the par value of the ordinary shares of HK\$0.50 each is reduced to HK\$0.005 each by cancelling the paid-up capital to the extent of HK\$0.495 each of the shares.
- (iii) The 2020 share consolidation became effective on 30 September 2020 on the basis of every five issued and unissued ordinary shares of par value HK\$0.005 each in the share capital of the Company being consolidated into one consolidated share of par value of HK\$0.025 each.
- (iv) On 2 September 2020, convertible bonds was converted of the principal amount of HK\$1,372,218 into 18,296,240 shares at the conversion price of HK\$0.075 per share.

On 9 September 2020, convertible bonds was converted of the principal amount of HK\$600,000 into 8,000,000 shares at the conversion price of HK\$0.075 per share.

On 22 September 2020, convertible bonds was converted of the principal amount of HK\$1,575,000 into 21,000,000 shares at the conversion price of HK\$0.075 per share.

On 24 September 2020, convertible bonds was converted of the principal amount of HK\$1,425,000 into 19,000,000 shares at the conversion price of HK\$0.075 per share.

On 25 September 2020, convertible bonds was converted of the principal amount of HK\$999,750 into 13,330,000 shares at the conversion price of HK\$0.075 per share.

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.

As mentioned in 2019 annual report of the Company, the outbreak of novel coronavirus (COVID-19) has brought about uncertainties in the Group's operating environment in the PRC in 2020. 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 have resumed since the end of February 2020, there were a significant drop in revenue of manufacturing and sale of nonwoven fabric products during the year ended 31 December 2020 as the customers generally adopted a wait-and-see approach to place orders. The Board expects that the event may continue to affect the Group's business performance in 2021.

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 19,994,000 units and 20,178,000 units respectively for the year ended 31 December 2020, representing a decrease of approximately 6.5% and 6.0%. Affected by the COVID-19 pandemic and as a result of increasing competition in the automotive industry, the total revenue of this business operation decreased by approximately 40.9% to RMB108.7 million for the year ended 31 December 2020.

Supply and procurement operation

The Group commenced its business of rubber trading since 2012 and the quoted price of rubber was generally varied according to the tendency of the commodities markets. To manage the risk, the Group mainly carried out that business in back-to-back model. As the significant fluctuation in price of top commodities, crude oil, the Group only accepted the orders with lower default risk.

Since 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 2020.

Interest in an associate

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 2020. 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 RMB2.6 million for the year ended 31 December 2020.

Placing of convertible bonds and use of proceeds

On 18 June 2020, the Company entered into a placing agreement with a placing agent pursuant to which it agreed to procure independent placees to subscribe for the convertible bonds with an aggregate principal amount of HK\$5,971,968 (the “2020 CB”) issued by the Company (the “Placing”). On 7 July 2020, the Placing was completed. Net proceeds from the Placing was approximately HK\$5.8 million (the “Net Proceeds”) which was intended to be used for the general working capital of the Group and repayment of existing liabilities. At 31 December 2020, the Net Proceeds were fully utilized as to (i) approximately HK\$2.5 million for the repayment of the then existing corporate liabilities; and (ii) approximately HK\$3.3 million for general working capital of the Group.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the years ended 31 December 2020 and 2019 was illustrated as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB’000</i>	RMB’000
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	40,027	69,201
– Sales of other automotive parts	68,668	114,834
Sales of rubber	8,366	1,844
Sales of food products	24,565	75,017
	<hr/>	<hr/>
	141,626	260,896
	<hr/>	<hr/>

For the year ended 31 December 2020, the Group’s revenue decreased to approximately RMB141.6 million, compared to approximately RMB260.9 million in 2019, representing a decrease of approximately 45.7%. The decrease in the Group’s revenue was mainly attributable to the decrease in revenue of manufacturing and sale of nonwoven fabric products and trading of food products which affected by the COVID-19 pandemic.

Gross profit

For the year ended 31 December 2020, the Group's gross profit decreased by approximately 43.7% to approximately RMB13.5 million. The decrease was mainly due to the decrease in the Group's revenue.

Other gain or losses

For the year ended 31 December 2020, the Group's other gain or losses increased by approximately RMB5.6 million from approximately RMB0.3 million in 2019 to approximately RMB5.9 million in 2020. The increase was mainly due to fair value gain on financial assets at fair value through profit or loss of approximately RMB2.5 million in 2020. 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

Administrative expenses in 2019 included impairment loss recognised on the interest in an associate of approximately RMB5.5 million. For the year ended 31 December 2020, as no impairment loss recognised on the interests in an associate and the tightening in the control of cost and expense of the Group, the Group's administrative expenses decreased by approximately RMB24.9 million to approximately RMB15.7 million.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB3.9 million for the year of 2020 compared with a loss of approximately RMB30.2 million for the corresponding period of 2019. The change was mainly due to the decrease in the Group's administrative expenses as a result of the tightening in the control of cost and expense of the Group during the year ended 31 December 2020.

PROSPECT AND OUTLOOK

The Board expects that 2021 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 and enhancing safety requirements to cope with the development of the automotive industry.

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.

Furthermore, in order to diversify the Group's existing business portfolio and broaden its source of income, the Group entered into a strategic cooperative agreement with an interior decoration components supplier of an automotive manufacturer under the brand "FAW Toyota" (the "Components Supplier") in July 2020 in relation to the supply of the nonwoven fabric related automotive components (the "Automotive Components") by the Group to the Components Supplier. In order to meet the supply requirements, the Group would set up new production lines in Jilin Province, the PRC (the "New Production Lines") in the second quarter of 2021 to prepare for the commencement of a larger-scale production of the Automotive Components in the second half of 2021.

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 operation.

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.

EVENTS AFTER THE REPORTING PERIOD

On 16 February 2021, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place through the placing agent, on a best endeavour basis, up to 71,663,616 placing shares at a price of HK\$0.32 per placing share. The placing shares would be allotted and issued pursuant to the specific mandate to be obtained at the extraordinary general meeting to be held on 15 April 2021.

CAPITAL REORGANISATION

Pursuant to a special resolution passed by the shareholders of the Company at the general meeting held on 23 December 2019 and an order given by the Grand Court of the Cayman Islands, the share with a par value of HK\$0.5 each in the share capital of the Company 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 share with effect from 3 March 2020.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the general meeting held on 28 September 2020 (the "EGM"), every five issued and unissued shares with a par value of HK\$0.005 each in the share capital of the Company be consolidated into one share with a par value of HK\$0.025 in the share capital of the Company with effect from 30 September 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internal cash resources and bank financing during 2020. Owing to the COVID-19, most of the Group's long-term customers have generally requested a delay in repayment of the Group's receivables which exacerbated the cash outflow position of the Group. On 7 July 2020, the convertible bonds with an aggregate principal amount of approximately HK\$6.0 million have been issued by the Company. At 31 December 2020, cash and bank balances of the Group amounted to approximately RMB26.8 million (2019: RMB26.1 million), and approximately RMB15.7 million (2019: RMB19.2 million) of which are denominated in Hong Kong dollars and United States dollars.

At 31 December 2020, 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 1.81 (2019: 1.75) and 0.44 (2019: 0.45) respectively.

CAPITAL STRUCTURE

Except for those disclosed under the section "CAPITAL REORGANISATION" and the 2020 CB was converted into 79,626,240 shares of the Company during September 2020, there has been no material change in the capital structure of the Group since 31 December 2019.

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 2020, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2020, 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 2020, 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 2020	At 31 December 2020		At 31 December 2019
	Fair Value gain RMB'000	Fair Value RMB'000	Approximate percentage to the net assets	Fair Value RMB'000
Discretionary Fund	2,831	17,961	10.2%	16,235

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 2020.

PLEDGE ON ASSETS

At 31 December 2020, the Group's buildings with a carrying amounts of approximately RMB5.1 million (2019: RMB5.4 million) and leasehold land with a carrying amounts of approximately RMB2.4 million (2019: RMB2.5 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2020, the Group employed a total of 220 employees (2019: 202). 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 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, A.6.7 and E.1.2, the Company complied with the Code for the year ended 31 December 2020.

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 and E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting and non-executive Directors should attend general meetings of the Company. Owing to other business engagements, the Chairman of the Board, Mr. Zhang Yue Jin was unable to attend the annual general meeting of Company held on 30 June 2020 (the "AGM"), 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 AGM 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 2020, 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.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 of the Group as set out in the announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the announcement.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2020 and the accounting principles and practices adopted by the Group during the year under review and matters of auditing, internal controls and financial reporting have been discussed with the management and reviewed by the audit committee of the Company.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk. The 2020 annual report containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company by the end of April 2021.

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

Hong Kong, 29 March 2021

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.