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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 2022

The board of Directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the following consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the preceding financial year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	184,036	181,701
Cost of sales		(164,550)	(157,662)
Gross profit		19,486	24,039
Other net (losses)/gains	6	(19,132)	7,318
Selling and distribution costs		(7,656)	(5,958)
Share of result of associates		297	330
Net allowance for expected credit losses		(27,228)	(478)
Administrative expenses		(42,167)	(23,567)
(Loss)/profit from operations	7	(76,400)	1,684
Finance costs	8	(2,070)	(1,859)
Loss before tax		(78,470)	(175)
Income tax expense	9	(88)	(235)
Loss for the year attributable to the owners of the Company		(78,558)	(410)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Loss for the year		(78,558)	(410)
Other comprehensive income/(expense) for the year, net of income tax:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		5,771	(2,049)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,105)	(4,937)
Total other comprehensive income/ (expense) for the year		4,666	(6,986)
Total comprehensive expense for the year attributable to the owners of the Company		(73,892)	(7,396)
		RMB	<i>RMB</i>
Loss per share			
Basic and diluted	<i>10</i>	(45.56) cents	(0.29) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		24,052	40,870
Investment property		4,133	–
Right-of-use assets		8,978	6,706
Interests in associates		10,801	13,840
Deferred tax assets		3,826	3,905
		<u>51,790</u>	<u>65,321</u>
Current assets			
Inventories		23,158	30,593
Trade receivables	12	141,096	152,077
Bills receivables		3,473	3,921
Prepayments, deposits and other receivables		43,057	29,242
Financial assets at fair value through profit or loss		19,319	38,105
Cash and bank balances		25,324	24,583
		<u>255,427</u>	<u>278,521</u>
Total assets		<u>307,217</u>	<u>343,842</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	3,643	3,476
Reserves		118,023	186,232
Total equity		<u>121,666</u>	<u>189,708</u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liability			
Lease liabilities		<u>4,608</u>	<u>2,180</u>
		<u>4,608</u>	<u>2,180</u>
Current liabilities			
Trade payables	<i>13</i>	50,596	40,594
Accruals and other payables		18,120	13,324
Contract liabilities		46,537	30,007
Bank borrowings		25,000	30,000
Lease liabilities		2,754	2,728
Tax payable		37,936	35,301
		<u>180,943</u>	<u>151,954</u>
Total liabilities		<u>185,551</u>	<u>154,134</u>
Total equity and liabilities		<u>307,217</u>	<u>343,842</u>
Net current assets		<u>74,484</u>	<u>126,567</u>
Total assets less current liabilities		<u>126,274</u>	<u>191,888</u>
Net assets		<u>121,666</u>	<u>189,708</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 related 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(A) Amendments to HKFRSs that are mandatorily effective for the current year

The following new and amendments to HKFRSs and new interpretation have been adopted by the Group for the first time for the current accounting period, beginning on 1 January 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year 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.

(B) 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:

		Effective for annual periods beginning on or after
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts	1 January 2023
Amendments to HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate	A date to be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Directors anticipate that the application of all other new and amendments to HKFRSs will not have 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 by 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 categorized 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 (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered.

The Group’s operating and reportable segments are as follows:

- the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts; and
- 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 related products		Total	
	2022 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000
Segment revenue:						
Sales to external customers	<u>13,184</u>	<u>17,171</u>	<u>170,852</u>	<u>164,530</u>	<u>184,036</u>	<u>181,701</u>
Segment results	<u>(3,785)</u>	<u>(1,474)</u>	<u>(42,949)</u>	<u>124</u>	<u>(46,734)</u>	<u>(1,350)</u>
Unallocated corporate income					<u>1,792</u>	7,318
Unallocated corporate expenses					<u>(31,458)</u>	<u>(4,284)</u>
Loss/(profit) from operations					<u>(76,400)</u>	1,684
Finance costs					<u>(2,070)</u>	<u>(1,859)</u>
Loss before tax					<u>(78,470)</u>	<u>(175)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2022 and 2021.

Segment results represent the profit/(loss) from each segment without allocation of interest income, fair value loss on financial assets at FVTPL, impairment loss on interests in associates, share of results of associates and central operating expenses including staff costs, finance costs and income tax expense. This is the measure reported to the CODM 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 related products		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS						
Segment assets	24,464	24,715	254,127	260,776	278,591	285,491
Unallocated corporate assets					28,626	58,351
Total assets					<u>307,217</u>	<u>343,842</u>
LIABILITIES						
Segment liabilities	3,446	2,859	145,823	118,102	149,269	120,961
Unallocated corporate liabilities					36,282	33,173
Total liabilities					<u>185,551</u>	<u>154,134</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 FVTPL, interests in associates 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 related products		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets						
Capital expenditure	–	–	900	3,117	900	3,117
Depreciation of property, plant and equipment	–	–	3,404	6,434	3,404	6,434
Depreciation on right-of-use assets	231	356	2,707	2,486	2,938	2,842
Write-down of inventories	–	–	–	752	–	752
Allowance/(reversal of allowance) for expected credit losses recognised on trade receivables, net	1,641	1,008	28,257	(3,363)	29,898	(2,355)
(Reversal of allowance)/allowance for expected credit losses recognised on other receivables, net	–	(1,201)	(2,670)	4,034	(2,670)	2,833
Loss on disposal of property, plant and equipment	–	–	9,986	167	9,986	167

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*	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
The PRC	176,451	171,249	36,926	47,518
Hong Kong	7,585	10,452	237	58
	<u>184,036</u>	<u>181,701</u>	<u>37,163</u>	<u>47,576</u>

* Non-current assets exclude interests in associates and deferred tax assets.

Information about major customers

Details of the customers individually representing 10% or more of the Group's revenue are as follows:

	2022 RMB'000	2021 RMB'000
Customer A	34,775	55,204
Customer B	<u>22,475</u>	<u>N/A*</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Except disclosed above, no other customers contributed 10% or more to the Group's revenue for both years.

5. REVENUE

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

An analysis of revenue by types of goods as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Nonwoven fabric related products for use in automotive interior decoration		
– Sales of automotive floor carpets	136,083	157,976
– Sales of other automotive parts	34,769	6,554
Supply and procurement operation:		
– Sales of rubber	5,599	6,719
– Sales of food products	7,585	10,452
	<u>184,036</u>	<u>181,701</u>
Total revenue recognised at a point in time	<u>184,036</u>	<u>181,701</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 NET (LOSSES)/GAINS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	50	32
Fair value (loss)/gain on financial assets at FVTPL	(20,354)	2,612
Realised (loss)/gain on disposal of financial asset at fair value through profit or loss	(570)	3,594
Rental income	1,701	–
Others	41	1,080
	<u>(19,132)</u>	<u>7,318</u>

7. LOSS BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditors' remuneration	429	408
Depreciation of property, plant and equipment	3,404	6,434
Depreciation of right-of-use assets	2,938	2,842
Expenses relating to short-term leases	290	301
Staff costs including directors' remuneration:		
– Salaries and allowances	13,250	16,404
– Share-based payment expenses	3,008	2,218
– Retirement benefits scheme contributions	1,665	2,191
Cost of inventories recognised as cost of sales	164,550	157,662
Loss on disposal of property, plant and equipment	9,986	167
Write-down of inventories	–	752
Allowance/(reversal of allowance) for ECL on trade receivables	29,898	(2,355)
(Reversal of allowance)/allowance for ECL on other receivables	(2,670)	2,833
Impairment loss on interests in associates	4,396	–
Research and development expenditure (<i>note</i>)	113	961

Note: The amounts included in cost of sales for the year ended 31 December 2022 amounted to approximately nil (2021: approximately RMB1,097,000).

8. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on bank borrowings wholly repayable within five years	1,500	1,523
Interest expenses on lease liabilities	570	336
	<u>2,070</u>	<u>1,859</u>

9. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Hong Kong	–	–
PRC enterprise income tax (“EIT”)	10	157
	<u>10</u>	<u>157</u>
Deferred tax		
Charged to profit or loss	78	78
	<u>88</u>	<u>235</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.

Under the two-tiered profits tax rates regime of Hong Kong Profit tax, the first HK\$2 million of assessable profits of qualifying group entities will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%). Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK\$2 million.

No provision for taxation in Hong Kong is recognised as there is no assessable profit for the year ended 31 December 2022 (2021: Nil).

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 EIT rules and regulations of the PRC, the applicable PRC EIT rate of the Group’s PRC subsidiaries for the years ended 31 December 2022 and 2021 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 RMB78,558,000 (2021: approximately RMB410,000) and the weighted average number of ordinary shares of 172,431,268 (2021: 143,261,786) in issue during the year.

Diluted loss per share

For the year ended 31 December 2022, 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 2021, diluted loss per share is the same as the basic loss per share because the effects of the Company’s outstanding share options was anti-dilutive.

11. DIVIDEND

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2022 (2021: nil).

12. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	185,015	166,098
Less: Allowance for ECL	(43,919)	(14,021)
	<u>141,096</u>	<u>152,077</u>

The ageing analysis of trade receivables, based on the invoice date, net of allowance for ECL, is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
0 to 90 days	57,808	80,745
91 to 180 days	79,598	25,303
181 to 365 days	3,690	32,424
Over 365 days	–	13,605
	<u>141,096</u>	<u>152,077</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally 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 ageing analysis of trade payables, based on the invoice dates, is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
0 to 90 days	24,486	22,859
91 to 180 days	7,769	2,277
181 to 365 days	1,412	678
Over 365 days	16,929	14,780
	<u>50,596</u>	<u>40,594</u>

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

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Amount RMB'000
Authorised:			
Ordinary shares of HK\$0.025 each			
At 1 January 2021, 31 December 2021,			
1 January 2022 and 31 December 2022	<u>40,000,000,000</u>	<u>1,000,000</u>	<u>863,495</u>
Issued and fully paid:			
At 1 January 2021	95,551,488	2,389	1,984
Issue of shares upon placing (<i>note (i)</i>)	<u>71,663,616</u>	<u>1,791</u>	<u>1,492</u>
At 31 December 2021 and 1 January 2022	167,215,104	4,180	3,476
Exercise of share options	<u>7,900,000</u>	<u>198</u>	<u>167</u>
At 31 December 2022	<u>175,115,104</u>	<u>4,378</u>	<u>3,643</u>

Note:

- (i) On 3 May 2021, the Company placed 71,663,616 new shares at a price of HK\$0.32 per placing share.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Manufacture and sale of nonwoven fabric related 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 related 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 23,836,000 units and 23,563,000 units respectively for the year ended 31 December 2022, representing an increase of approximately 11.2% and 9.5%. These favorable growth in passenger vehicles market resulted in a stable demand for automotive materials of the Group during 2022.

In order to diversify the Group’s existing business portfolio and broaden its source of income in automotive industry, the Group set up new production lines in Jilin Province, the PRC in the second half of 2021 for the supply of the automotive components (the “Automotive Components”) to a components supplier of an automotive manufacturer under the brand “FAW Toyota”.

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 which generated steady income to the Group for the year ended 31 December 2022.

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 2022. 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 RMB0.29 million for the year ended 31 December 2022.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the years ended 31 December 2022 and 2021 was illustrated as follows:

	Year ended 31 December	
	2022	2021
	RMB’000	RMB’000
Nonwoven fabric related products for use in automobiles		
– Sales of automotive floor carpets	136,083	157,976
– Sales of other automotive parts	34,769	6,554
Sales of rubber	5,599	6,719
Sales of food products	7,585	10,452
	<u>184,036</u>	<u>181,701</u>

For the year ended 31 December 2022, the Group’s revenue increased to approximately RMB184.0 million, compared to approximately RMB181.7 million in 2021, representing an increase of approximately 1.3%. The increase in the Group’s revenue was mainly attributable to the increase in revenue of sale of other automotive parts, such as Automotive Components.

Gross profit

As a result of increasing competition in the automotive industry in the PRC, for the year ended 31 December 2022, the Group’s gross profit decreased by approximately 18.9% to approximately RMB19.5 million.

Other gain or losses

For the year ended 31 December 2022, the Group’s other gain or losses changed from a gain of approximately RMB7.3 million in 2021 to a loss of approximately RMB19.1 million in 2022. It was mainly due to fair value loss on financial assets at fair value through profit or loss (“FVTPL”) of approximately RMB20.3 million in 2022. The fair value losses on financial assets at FVTPL mainly comprised of the fair value loss on investment in a discretionary investment fund (“Discretionary Fund”) (approximately 4.7 million), and in listed equity securities of Tai Kam Holdings Limited (approximately RMB4.1 million) and China e-wallet Payment Group Limited (approximately RMB2.5 million). Further information of the financial assets at FVTPL are disclosed in the “Significant Investments” section below.

Administrative expenses

The Group's administrative expenses increased by approximately RMB18.6 million to approximately RMB42.2 million for the year ended 31 December 2022. The Group's administrative expenses mainly consist of employee benefits expenses including Director's emoluments and staff costs of approximately RMB14.9 million, share based payment expenses of approximately RMB3.0 million, depreciation of right-of-use assets of approximately RMB2.9 million, and one-off compensation to the staff of approximately RMB8.1 million and loss on disposal of property, plant and equipment of approximately RMB10.0 million in connection with the relocation of production lines from Wuxi to Cangzhou and Chengdu.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB78.6 million for the year of 2022 compared with a loss of approximately RMB0.4 million for the corresponding period of 2021. The increase are primarily attributable to fair value loss on financial assets at fair value through profit or loss, net allowance for expected credit losses and the one-off expenses in connection with the relocation of production line during the year ended 31 December 2022.

PROSPECT AND OUTLOOK

The Board expects that 2023 will be a challenging year for the business of manufacturing and sale of nonwoven fabric related 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 related products 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 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.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2022 (2021: Nil).

RAISING OF FUNDS AND USE OF PROCEEDS

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 up to 71,663,616 placing shares at a price of HK\$0.32 per placing share (the “**Placing**”). The placing shares were allotted and issued on 3 May 2021. Net proceeds from the Placing was approximately HK\$22.3 million (the “**Net Proceeds**”) which was intended to be applied as to (i) approximately HK\$10.3 million for repaying the bank borrowings; and (ii) approximately HK\$12.0 million for installation and general working capital of the business in Automotive Components. At 31 December 2022, the Net Proceeds were fully utilised as intended.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internal cash resources and bank financing during 2022. At 31 December 2022, cash and bank balances of the Group amounted to approximately RMB25.3 million (2021: RMB24.6 million), and approximately RMB12.9 million (2021: RMB15.8 million) of which are denominated in Hong Kong dollars and United States dollars.

At 31 December 2022, 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 1.41 (2021: 1.83) and 0.60 (2021: 0.45) respectively.

CAPITAL STRUCTURE

Except 7,900,000 ordinary shares of the Company were issued in relation to share options exercised under the share option scheme of the Company on 6 May 2022, there has been no material change in the capital structure of the Group during the year.

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 2022, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2022, the Group held (i) approximately 22.8 million shares (approximately 2.6%) of Wealth Glory Holdings Limited (“WG”), (ii) approximately 5.5 million shares (approximately 1.9%) of Harbour Digital Asset Capital Limited (“HD”) and (iii) approximately 11.0 million shares (approximately 4.8%) of Lerado Financial Group Company Limited (“LF”). WG, HD and LF were the companies listed on the Hong Kong Stock Exchange. WG is principally engaged in trading of natural resources and commodities; money lending business; development and promotion of brands, design, manufacture and sale of trendy fashion merchandises and other consumer products; and investment in securities. HD is principally engaged in the investments in listed and unlisted securities. LF is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products.

At 31 December 2021, the Group also hold Discretionary Fund, which ceased operations in 2022, of approximately RMB14.8 million 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 was 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 was to generate income and/or achieve capital appreciation through investing in a variety of the authorized investments.

The Group’s investment in WG, HD and LF were collectively referred to as the “Significant Investments”.

Detail of the Significant Investments are as follows:

	Year ended 31 December 2022	At 31 December 2022		At 31 December 2021
	Fair Value loss RMB’000 (Audited)	Fair Value RMB’000 (Audited)	Approximate percentage to the total assets (Audited)	Fair Value RMB’000 (Audited)
WG	841	3,370	1.1%	3,902
HD	1,409	2,810	0.9%	3,927
LF	755	1,850	0.6%	–

At 31 December 2022, the financial assets at FVTPL comprised 16 listed equity securities in Hong Kong and except the above, there was no investment held by the Group which value was more than 1% of the total assets of the Group.

Looking ahead, the value of the Significant Investments 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 2022.

PLEDGE ON ASSETS

At 31 December 2022, the Group's investment property (2021: buildings) with a carrying amounts of approximately RMB4.1 million (2021: RMB4.8 million) and leasehold land with a carrying amounts of approximately RMB2.3 million (2021: RMB2.3 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2022, the Group employed a total of 96 employees (2021: 223). 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 C.2.1, the Company complied with the Code for the year ended 31 December 2022.

Code provision C.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 C.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. At 31 December 2022, 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.

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 2022, 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 THE COMPANY’S AUDITOR

The figures above in the preliminary announcement of the Group’s result for the year ended 31 December 2022 have been agreed with the Company’s auditor, Elite Partners CPA Limited (“Elite Partners”), to the amounts set out in the Group’s consolidated financial statements for the year.

The work performed by Elite Partners 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 Elite Partners on the preliminary announcement.

PUBLICATION OF 2022 ANNUAL RESULTS AND 2022 ANNUAL REPORT

The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2022 and also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters. Other members of the Board who are not in the Audit Committee have also reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2022 and are satisfied with the contents thereof.

The annual report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2023

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.