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 2023

RESULTS HIGHLIGHTS

	Year ended 31 December		
	2023	*2022*	
	RMB'000	RMB'000	Change
Revenue	**245,833**	176,094	39.6%
Gross profit	**47,119**	12,675	271.7%
Gross profit margin	**19.2%**	7.2%	12.0%pts
Profit/(loss) attributable to equity shareholders of the Company for the year	**3,746**	(26,010)	114.4%
Earnings/(loss) per share			
Basic and diluted (RMB cents)	**0.19**	(1.30)	114.6%
Final dividend per share (proposed) (HK$ cents)	**–**	–	N/A

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 2023 together with the comparative figures in 2022 and the relevant explanatory notes.

Consolidated statement of profit or loss
for the year ended 31 December 2023
(Expressed in Renminbi)

	Note	***2023*** **RMB'000**	*2022* RMB'000
Revenue	3	**245,833**	176,094
Cost of sales		**(198,714)**	(163,419)
Gross profit	3(b)	**47,119**	12,675
Other income	4	**4,101**	3,000
Selling and distribution expenses		**(2,764)**	(3,774)
Administrative expenses		**(35,558)**	(33,096)
Impairment losses (provided)/reversed on trade and other receivables		**(231)**	60
Profit/(loss) from operations		**12,667**	(21,135)
Finance costs	5(a)	**(9,351)**	(9,198)
Profit/(loss) before taxation	5	**3,316**	(30,333)
Income tax	6(a)	**430**	4,323
Profit/(loss) attributable to equity shareholders of the Company for the year		**3,746**	(26,010)
Earnings/(loss) per share			
— Basic and diluted (RMB cents)	7	**0.19**	(1.30)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023
(Expressed in RMB)

	2023	*2022*
	RMB'000	RMB'000
Profit/(loss) for the year	**3,746**	(26,010)
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	**134**	904
Total comprehensive income attributable to equity shareholders of the Company for the year	**3,880**	(25,106)

Consolidated statement of financial position
at 31 December 2023
(Expressed in RMB)

	Note	***2023*** **RMB'000**	*2022* RMB'000
Non-current assets			
Property, plant and equipment		**164,989**	195,240
Intangible assets		**1,198**	1,541
Prepayments for acquisitions of property, plant and equipment		**9,443**	8,794
Deferred tax assets		**7,521**	6,384
		183,151	211,959
Current assets			
Inventories		**60,607**	53,193
Trade and bills receivables	8	**167,045**	125,300
Prepayments and other receivables		**25,527**	21,091
Cash at bank and on hand		**92,603**	106,491
		345,782	306,075
Current liabilities			
Bank and other loans		**87,286**	113,675
Trade and bills payables	9	**141,437**	97,805
Accrued expenses and other payables		**33,542**	43,290
Lease liabilities		**1,395**	539
Current taxation		**1,251**	560
		264,911	255,869
Net current assets		**80,871**	50,206
Total assets less current liabilities		**264,022**	262,165

Consolidated statement of financial position
at 31 December 2023 (Continued)
(Expressed in RMB)

	Note	***2023*** **RMB'000**	*2022* RMB'000
Non-current liabilities			
Bank and other loans		**14,803**	16,806
Lease liabilities		**715**	–
Deferred income		**3,058**	3,793
		18,576	20,599
NET ASSETS		**245,446**	241,566
CAPITAL AND RESERVES	10		
Share capital		**17,522**	17,522
Reserves		**227,924**	224,044
TOTAL EQUITY		**245,446**	241,566

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 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by 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**"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards 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 2023 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 IFRS Accounting Standards 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 IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and* IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRS Accounting Standards are discussed below:

IFRS 17*, Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8*, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1*, Presentation of financial statements and* IFRS Practice Statement 2*, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12*, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12*, Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

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:

	2023	*2022*
	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	**224,354**	151,582
— Sales of passenger vehicles' decorative components and parts	**21,479**	24,512
	245,833	176,094

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:

	2023	*2022*
	RMB'000	RMB'000
Customer A	**160,313**	100,936
Customer B	**50,722**	42,660
Customer C	*	21,582

* The revenue from relevant customer does not account for 10% or more of the total revenue of the Group during the corresponding year.

(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 2023 and 2022. 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 2023 and 2022 is set out below:

	2023		
	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	**224,354**	**21,479**	**245,833**
Reportable segment gross profit	**46,744**	**375**	**47,119**

	2022		
	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	151,582	24,512	176,094
Reportable segment gross profit	11,122	1,553	12,675

(ii) Reconciliation of reportable segment profit or loss

	2023	*2022*
	RMB'000	RMB'000
Total reportable segment gross profit	**47,119**	12,675
Other income	**4,101**	3,000
Selling and distribution expenses	**(2,764)**	(3,774)
Administrative expenses	**(35,558)**	(33,096)
Impairment losses (provided)/reversed on trade and other receivables	**(231)**	60
Finance costs	**(9,351)**	(9,198)
Consolidated profit/(loss) before taxation	**3,316**	(30,333)

(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

	2023	*2022*
	RMB'000	RMB'000
Government grants (including amortisation of deferred income)	**3,112**	2,783
Net gain on sales of scrap materials	**571**	336
Interest income	**265**	326
Net loss on disposal of property, plant and equipment	**154**	(320)
Net loss on disposal of a subsidiary	**(9)**	–
Net foreign exchange gains/(losses)	**8**	(125)
	4,101	3,000

5 Profit/(loss) before taxation

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

(a) Finance costs

	2023	*2022*
	RMB'000	RMB'000
Interest on bank and other loans	**9,296**	9,165
Interest on lease liabilities	**55**	33
	9,351	9,198

No borrowing costs have been capitalised during the year ended 31 December 2023 (2022: RMB Nil).

(b) Staff costs#

	2023	*2022*
	RMB'000	RMB'000
Salaries, wages and other benefits	**36,625**	38,980
Contributions to defined contribution retirement plan	**3,140**	2,793
	39,765	41,773

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.

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*

	2023	2022
	RMB'000	RMB'000
Amortisation#	**444**	415
Depreciation charge#		
— owned property, plant and equipment	**32,433**	32,393
— right-of-use assets	**1,165**	775
	34,042	33,583
Impairment losses on non-financial assets		
— property, plant and equipment	**–**	222
Auditors' remuneration		
— audit service	**2,100**	1,800
Research and development costs	**12,608**	12,151
Cost of inventories#	**198,714**	163,419

\# Cost of inventories includes RMB49,055,000 (2022: RMB49,675,000) 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:*

	2023	2022
	RMB'000	RMB'000
Current taxation:		
Provision for the year	**707**	–
Deferred taxation:		
— Origination and reversal of temporary differences	**(1,137)**	(4,323)
	(430)	(4,323)

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

	2023	*2022*
	RMB'000	RMB'000
Profit/(loss) before taxation	**3,316**	(30,333)
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i),(ii) and (iii))*	**829**	(7,361)
Tax effect of non-deductible items	**1,631**	77
Tax effect on preferential tax rate *(Notes (iv) and (v))*	**230**	4,612
Tax effect on bonus deduction of research and development costs *(Note (vi))*	**(3,135)**	(1,983)
Tax effect of unused tax losses not recognised	**15**	332
Income tax	**(430)**	(4,323)

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 2023 (2022: 16.5%). The entity did not have assessable profits which is subject to Hong Kong Profits Tax for the year ended 31 December 2023 (2022: 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 2023 (2022: 25%).

(iv) Certain subsidiaries of the Group established in the PRC obtained approvals from the tax bureaux in 2021 that they are entitled to tax benefits applicable to entities under the Third Phase of the Western Region Development Plan of the PRC, and enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2021 to 2030.

(v) 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, a subsidiary of the Group, is qualified as a HNTE and the qualification is valid for three years from 2022 to 2025.

(vi) 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 100% (2022: 100%) of such expenses could be deemed as deductible expenses.

7 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for year ended 31 December 2023 is based on the earnings attributable to equity shareholders of the Company of RMB3,746,000 (2022: loss attributable to equity shareholders of the Company of RMB26,010,000) and the weighted average of 2,000,000,000 (2022: 2,000,000,000) ordinary shares.

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

	2023	*2022*
Issued ordinary shares at 1 January	**2,000,000,000**	2,000,000,000
Weighted average number of ordinary shares at 31 December	**2,000,000,000**	2,000,000,000

(b) Diluted earnings /(loss) per share

There were no dilutive potential shares outstanding during the years ended 31 December 2023 and 2022.

8 Trade and bills receivables

	31 December 2023 **RMB'000**	*31 December 2022* RMB'000
Trade receivables, net of loss allowance	**125,502**	85,700
Bills receivables	**41,543**	39,600
	167,045	125,300

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:

	2023	*2022*
	RMB'000	RMB'000
Less than 3 months	**137,323**	94,438
3 to 6 months	**16,205**	14,888
6 to 12 months	**13,517**	15,974
	167,045	125,300

9 Trade and bills payables

	2023	*2022*
	RMB'000	RMB'000
Trade payables	**100,716**	47,074
Bills payables	**40,721**	50,731
	141,437	97,805

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:

	2023	*2022*
	RMB'000	RMB'000
Less than 3 months	**66,821**	54,144
3 to 6 months	**39,558**	35,848
6 to 12 months	**29,734**	3,025
Over 1 year	**5,324**	4,788
	141,437	97,805

10 Capital and dividends

(a) Share capital

	2023		*2022*	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	2023		*2022*	
	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**	2,000,000,000	17,522
At 31 December	**2,000,000,000**	**17,522**	2,000,000,000	17,522

(b) Dividends

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

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: RMB Nil).

(ii) No dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid/payable during the year ended 31 December 2023 (2022: RMB Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back on 2023, with the improvement of the economic situation and the gradual restoration of norm of living, the sales volume of heavy truck volume increased 36% in 2023. The demand for heavy trucks is expected to increase in 2024, and the heavy truck industry will stabilize and rebound.

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. The breakdown of our revenue by product category for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December			
	2023		*2022*	
	RMB'000	***%***	RMB'000	*%*
Heavy trucks' decorative components and parts	**224,354**	**91.26**	151,582	86.08
Passenger vehicles' decorative components and parts	**21,479**	**8.74**	24,512	13.92
Total	**245,833**	**100.00**	176,094	100.00

Revenue from sales of heavy trucks' decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts increased from approximately RMB151.6 million for the year ended 31 December 2022 to approximately RMB224.4 million for the year ended 31 December 2023, representing an increase of approximately 48.01%.

The increase was mainly due to recovery of heavy truck market in 2023, with sale of heavy trucks increasing year-on-year. The national sales volume of heavy trucks was 911,000, with a year-on-year increase of 36%.

Revenue from sales of passenger vehicles' decorative components and parts

Revenue generated from sales of passenger vehicles' decorative components and parts decreased from approximately RMB24.5 million for the year ended 31 December 2022 to approximately RMB21.5 million for the year ended 31 December 2023, representing a decrease of approximately 12.4%. The decrease was mainly due to our reduction in the supply of low-margin products to multi-tier suppliers, while expanding products supply to automobile plants as the first-tier supplier.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately RMB176.1 million for the year ended 31 December 2022 to approximately RMB245.8 million for the year ended 31 December 2023, representing an increase of approximately 39.6%. The increase was primarily due to the increase in sales of decorative components and parts for heavy trucks.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB12.7 million for the year ended 31 December 2022 to approximately RMB47.1 million for the year ended 31 December 2023, representing an increase of approximately 271.7%. Our overall gross profit margin increased from approximately 7.2% for the year ended 31 December 2022 to approximately 19.2% for the year ended 31 December 2023. Such increase in gross profit margin of products was primarily due to the higher sales income and the lower increase in fixed costs including labor.

Other income

Our other income increased from approximately RMB3.0 million for the year ended 31 December 2022 to approximately RMB4.1 million for the year ended 31 December 2023, representing an increase of approximately 36.7%, which was mainly due to the increase in net profit on disposal of property, plant and equipment and government grants in 2023 compared with that of 2022.

Selling and distribution expenses

Our selling and distribution expenses decreased from approximately RMB3.8 million for the year ended 31 December 2022 to approximately RMB2.8 million for the year ended 31 December 2023, representing a decrease of approximately 26.8%. The decrease was mainly due to the decrease in labor costs.

Administrative expenses

Our administrative expenses increased from approximately RMB33.1 million for the year ended 31 December 2022 to approximately RMB35.6 million for the year ended 31 December 2023, representing an increase of 7.4%. Such increase was mainly due to the entertainment expenses and tax for the year ended 31 December 2023.

Finance costs

Our finance costs increased from approximately RMB9.2 million for the year ended 31 December 2022 to approximately RMB9.4 million for the year ended 31 December 2023, representing a increase of approximately 1.7%. Such increase was mainly attributable to the increase in interest on bank and other loans.

Income tax

Our income tax credit amounted to approximately RMB0.4 million for the year ended 31 December 2023 and the income tax credit accounted to approximately RMB4.3 million for the year ended 31 December 2022. The income tax credit was mainly due to recognition of the deferred tax assets.

Profit/loss for the year

As a result of the foregoing, our profit amounted to approximately RMB3.7 million for the year ended 31 December 2023, as compared to a loss amounted to approximately RMB26.0 million for the year ended 31 December 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operating capital of the Group was mainly from cash from operating activities and bank and other loans. As at 31 December 2023 and 2022, cash and cash equivalents of the Group were approximately RMB67.5 million and RMB78.5 million respectively.

The Group monitors the cash flows and cash balance on a regular basis and seeks 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 decreased from approximately RMB130.5 million as at 31 December 2022 to approximately RMB102.1 million as at 31 December 2023. Among them, the credit loans and the loans guaranteed by a third party, the ultimate controlling party of the Company, or a subsidiary of the Company amounted to approximately RMB47.5 million (2022: RMB68.0 million), and the bank and other loans in the amounts of approximately RMB54.6 million (2022: RMB62.5 million) were secured by trade and bills receivables, property, plant and equipment and cash at bank of the Group.

Gearing Ratio

The gearing ratio as at 31 December 2022 and 2023 were at 54.0% and 53.6% 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 RMB53.2 million as at 31 December 2022 to approximately RMB60.6 million as at 31 December 2023, representing a increase of approximately 13.9%. The increase was mainly due to the increase in the volume of inventories as a result of the increase in the sales order in 2023.

Prepayments for acquisitions of property, plant and equipment

Our prepayment for acquisitions of property, plant and equipment increased from approximately RMB8.8 million as at 31 December 2022 to approximately RMB9.4 million as at 31 December 2023, representing an increase of approximately 7.4%. The increase is mainly due to the investment in new projects of the Group in 2023.

Secured Assets

Certain of the Group's bank and other loans are secured by the following assets of the Group as at 31 December 2023 and 2022:

	As at 31 December	
	2023	*2022*
	RMB'000	RMB'000
Property, plant and equipment	**109,855**	108,174
Trade and bills receivables	**298**	21,590
Cash at bank	**5,000**	–
	115,153	129,764

Capital Expenditure

As at 31 December 2023, the capital expenditures were approximately RMB21.4 million (2022: approximately RMB28.7 million). The capital expenditures incurred for the year ended 31 December 2023 primarily related to the purchase of new machineries and equipments.

Capital Commitments

As at 31 December 2023, the capital commitments in respect of property, plant and equipment contracted were approximately RMB22.4 million (2022: approximately RMB10.0 million).

Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities (2022: 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 any 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 2023.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 361 full time employees (2022: 389). For the year ended 31 December 2023, the Group incurred total staff costs of approximately RMB39.8 million (2022: approximately RMB41.8 million), representing a decrease of approximately 4.8% as compared with those in 2022. The decrease was mainly due to the decrease in the number of employees.

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

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.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this announcement, there are no major events after 31 December 2023 which would materially affect the Group's operating and financial performance as of the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2023 and up to the date of this announcement, neither our Company, nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities.

FUTURE PROSPECTS

Looking forward to 2024, China's economy will continue to recover steadily, and the long-term positive fundamentals of the macro-economy will not change. The annual demand of heavy truck market will show a trend of lower demand at the beginning and higher demand after, and the competition in respect of stocks will become the new norm. The passenger car market has a huge potential with superimposed policy support to help increase the market share and sales volume of self-owned brand passenger cars. We will firmly promote the dual track operation of passenger cars and commercial vehicles, and maintain the stock market and expand the external market.

We will continue to improve and continue to promote the "TES" (Tianrui Excellence Management System) to make the "Tianrui Basic Law" a standardized model of group management. Through benchmarking, we will complete the company's system informatization construction, complete the incentive mechanism for key employees, and achieve a win-win situation for Tianrui people.

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 Part 2 of Appendix C1 to the Listing Rules (the "Corporate Governance Code") as the basis of our Company's corporate governance practices. The Company has complied with the Corporate Governance Code for the year ended 31 December 2023, save for the following deviation:

Pursuant to code provision C.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregate 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 C3 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 year ended 31 December 2023.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's independent auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year then ended. The work performed by KPMG in this respect did not constitute an assurance engagement performed 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 KPMG on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 28 June 2024. 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 published by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 25 June 2024 to 28 June 2024, 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 transfers 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 17/F, Far East Finance Centre,16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 24 June 2024, being the business day before the first day of closure of the register of members.

REVIEW OF ANNUAL RESULTS

The audit committee of the Board together with the management and the auditor of the Company had reviewed 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 2023.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at http://www.trqcns.com and the annual report for the year ended 31 December 2023 containing all the information required by the Listing Rules will be 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, 28 March 2024

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