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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	
	RMB'000	RMB'000	Change
	(Unaudited)	*(Audited)*	
Revenue	**158,107**	132,622	19.2%
Gross profit	**52,913**	44,932	17.8%
Gross profit margin	**33.5%**	33.9%	-0.4%pts
Profit attributable to equity shareholders	**22,254**	12,728	74.8%
Earnings per share			
Basic and diluted (RMB cents)	**1.11**	0.85	30.6%
Proposed interim dividend (HK$ cents)	**0.6**	—	**N/A**

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Automotive Interiors Co., LTD (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the six months ended 30 June 2018. The interim results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

Consolidated statement of profit or loss
for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2019	*2018*
	Note	**RMB'000**	RMB'000
			(Note)
Revenue	4	**158,107**	132,622
Cost of sales		**(105,194)**	(87,690)
Gross profit		**52,913**	44,932
Other income/(loss)	5	**4,762**	(2,382)
Selling expenses		**(3,568)**	(3,629)
Administrative expenses		**(22,825)**	(19,142)
Profit from operations		**31,282**	19,779
Finance costs	6(a)	**(2,232)**	(4,315)
Profit before taxation	6	**29,050**	15,464
Income tax	7	**(6,796)**	(2,736)
Profit attributable to equity shareholders of the Company for the period		**22,254**	12,728
Earnings per share	8		
Basic and diluted (RMB cents)		**1.11**	0.85

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 – Unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2019	*2018*
	RMB'000	RMB'000
		(Note)
Profit for the period	**22,254**	12,728
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**1,648**	1,992
Total comprehensive income attributable to equity shareholders of the Company for the period	**23,902**	14,720

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Consolidated statement of financial position
at 30 June 2019 – unaudited
(Expressed in RMB)

	Note	***At 30 June 2019*** **RMB'000**	*At 31 December 2018* RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**123,620**	114,501
Lease prepayments		**—**	9,486
Prepayments for acquisitions of property, plant and equipment		**16,699**	9,322
Deferred tax assets		**1,401**	758
		141,720	134,067
Current assets			
Inventories		**40,276**	27,252
Trade and bills receivables	9	**218,742**	132,965
Prepayments and other receivables		**63,716**	11,324
Cash at bank and on hand		**46,280**	33,385
		369,014	204,926
Current liabilities			
Bank and other loans		**102,184**	37,449
Trade and bills payables	10	**140,331**	136,867
Contract liabilities		**5,363**	—
Accrued expenses and other payables		**24,545**	27,576
Amounts due to the Controlling Shareholders		**—**	1,405
Current taxation		**5,289**	2,318
		277,712	205,615
Net current assets/(liabilities)		**91,302**	(689)
Total assets less current liabilities		**233,022**	133,378

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Consolidated statement of financial position
at 30 June 2019 – unaudited (continued)
(Expressed in RMB)

	Note	***At 30 June 2019*** **RMB'000**	*At 31 December 2018* RMB'000 (Note)
Non-current liabilities			
Bank and other loans		**7,102**	15,359
Leased liabilities		**2,874**	—
Deferred income		**2,459**	2,572
		12,435	17,931
NET ASSETS		**220,587**	115,447
CAPITAL AND RESERVES			
Share capital		**17,522**	13,216
Reserves		**203,065**	102,231
TOTAL EQUITY		**220,587**	115,447

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Notes to the unaudited interim financial report
(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 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2019.

3 Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives,* and SIC 27*, Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The adoption of IFRS 16 does not have any material impact on the financial statements of the Group at 1 January 2019.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out an office as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The adoption of IFRS 16 does not have any material impact on the financial statements of the Group at 1 January 2019.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation and reclassification of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	114,501	9,486	123,987
Lease prepayments	9,486	(9,486)	—
Total non-current assets	**141,720**	**—**	**141,720**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019	*At 1 January 2019*
	RMB'000	RMB'000
Land-use-rights	**9,383**	9,486
Other properties leased for own use, carried at depreciated cost	**2,750**	—
	12,133	9,486

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		*At 1 January 2019*	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**983**	**1,034**	—	—
After 1 year but within 2 years	**940**	**1,098**	—	—
After 2 years but within 5 years	**916**	**1,162**	—	—
After 5 years	**—**	**—**	—	—
	1,856	**2,260**	—	—
	2,839	**3,294**	—	
Less: total future interest expenses		**(455)**		—
Present value of lease liabilities		**2,839**		—

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight- line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				*2018*
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 (C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**31,282**	**89**	**(110)**	**31,261**	19,779
Finance costs	**(2,232)**	**35**	**—**	**(2,197)**	(4,315)
Profit before taxation	**29,050**	**124**	**(110)**	**29,064**	15,464
Profit for the six months ended 30 June 2019	**22,254**	**124**	**(110)**	**22,268**	12,728

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	**Estimated amounts related to operating leases as if under IAS 17 (B) RMB'000**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000**	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash used in operations	**(97,801)**	**(110)**	**(97,911)**	(35,024)
Net cash used in operating activities	**(102,269)**	**(110)**	**(102,379)**	(36,924)
Capital element of lease rentals paid	**—**	**35**	**35**	—
Interest element of lease rentals paid	**—**	**75**	**75**	—
Net cash generated from financing activi-ties	**150,733**	**110**	**150,843**	100,530

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

4 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 4(b).

Disaggregation of revenue from contracts with customers by major products is as follows:

	Six months ended 30 June	
	2019	*2018*
	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	**149,743**	118,646
— Sales of passenger vehicles' decorative components and parts	**8,364**	13,976
	158,107	132,622

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 4(b)(i) and 4(b)(iii) respectively.

The Group's customers with which transactions have exceeded 10% of the Group's revenue are set out below:

	Six months ended 30 June	
	2019	*2018*
	RMB'000	RMB'000
Customer A	**60,212**	61,900
Customer B	**57,979**	52,099

(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 six months ended 30 June 2019 and 2018. 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 income/loss, 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 six months ended 30 June 2019 and 2018 is set out below.

	Six months ended 30 June 2019		
	Heavy trucks' decorative components and parts RMB'000	**Passenger vehicles' decorative components and parts RMB'000**	**Total RMB'000**
Revenue recognised at a point in time from external customers	**149,743**	**8,364**	**158,107**
Reportable segment gross profit	**50,375**	**2,538**	**52,913**

	Six months ended 30 June 2018		
	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	118,646	13,976	132,622
Reportable segment gross profit	40,383	4,549	44,932

(ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2019	*2018*
	RMB'000	RMB'000
Total reportable segment gross profit	**52,913**	44,932
Other income/(loss)	**4,762**	(2,382)
Selling expenses	**(3,568)**	(3,629)
Administrative expenses	**(22,825)**	(19,142)
Finance costs	**(2,232)**	(4,315)
Consolidated profit before taxation	**29,050**	15,464

(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 operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 Other income/(loss)

	Six months ended 30 June	
	2019	*2018*
	RMB'000	RMB'000
Government grants (including amortisation of deferred income)	**3,213**	113
Net gain on sales of scrap materials	**21**	153
Operating lease income	**11**	11
Interest income	**227**	100
Net foreign exchange gains/(losses)	**149**	(2,834)
Net loss on disposal of property, plant and equipment	**(23)**	—
Compensation received from constructor	**1,200**	—
Others	**(36)**	75
	4,762	(2,382)

6 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2019	*2018*
		(Note)
	RMB'000	RMB'000
Interest on		
— bank loan and other loans	**2,197**	4,315
— lease liabilities	**35**	—
	2,232	4,315

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

No borrowing costs have been capitalised for the six months ended 30 June 2019 (six months ended 30 June 2018: RMBNil).

(b) Other items

	Six months ended 30 June	
	2019	*2018*
	RMB'000	RMB'000
		(Note)
Depreciation and amortisation	**6,856**	5,034
Impairment losses on trade receivables	**2,685**	1,337
Auditors' remuneration		
— in connection with the initial listing of the Company's shares	**—**	1,500
Research and development costs	**7,194**	4,323
Cost of inventories	**105,194**	87,690

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

7 Income tax

	Six months ended 30 June	
	2019	*2018*
	RMB'000	RMB'000
Current taxation		
Provision for the period	**7,439**	4,919
Deferred taxation		
— Origination and reversal of temporary differences	**(643)**	(183)
— Withholding tax in connection with the retained profits to be distributed by a subsidiary of the Group	**—**	(2,000)
	(643)	(2,183)
	6,796	2,736

Notes:

(i) The Company 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 Company and the subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the six months ended 30 June 2019 (six months ended 30 June 2018: RMBNil).

(iii) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate at 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%)

(iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**") which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Xian Tianrui Automotive Interiors Co., Ltd. ("**Xian Tianrui**") is qualified as a HNTE and the qualification was valid for three years from 2016 to 2018. Up to the reporting date, the application for extending the qualification is in process.

(v) According to the relevant tax rules in the PRC, qualified research and development costs, are allowed for bonus deduction for income tax purpose, i.e. an additional 75% (six months ended 30 June 2018: 75%) of such expenses could be deemed as deductible expenses.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for six months ended in 30 June 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB22,254,000 and the weighted average of 2,000,000,000 ordinary shares, comprising.

(i) 100 ordinary shares in issue as at the date of the prospectus of the Company dated 31 December 2018, and 1,499,999,900 ordinary shares issued pursuant to the capitalisation issue, and

(ii) 500,000,000 ordinary shares issued on 15 January 2019 by initial public offering.

The basic earnings per share for six months ended in 30 June 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB12,728,000 and the weighted average of 1,500,000,000 ordinary shares, comprising 100 ordinary shares in issue as at the date of the prospectus of the Company dated 31 December 2018 and 1,499,999,900 ordinary shares issued pursuant to the capitalisation issue as if the above total of 1,500,000,000 ordinary shares were outstanding throughout six months ended in 30 June 2018.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2019 and 2018.

9 Trade and bills receivables

	At 30 June 2019 **RMB'000**	*At 31 December 2018* RMB'000
Trade receivables, net of loss allowance	**152,574**	78,094
Bills receivables	**66,168**	54,871
	218,742	132,965

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

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:

	At 30 June 2019	*At 31 December 2018*
	RMB'000	RMB'000
Less than 3 months	**104,942**	82,176
3 to 6 months	**33,517**	34,721
6 to 12 months	**67,783**	16,068
12 to 24 months	**12,500**	—
	218,742	132,965

10 Trade and bills payables

	At 30 June 2019	*At 31 December 2018*
	RMB'000	RMB'000
Trade payables	**140,331**	96,867
Bills payables	**—**	40,000
Financial liabilities measured at amortised cost	**140,331**	136,867

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:

	At 30 June 2019 **RMB'000**	*At 31 December 2018* RMB'000
Less than 3 months	**86,746**	54,432
3 to 6 months	**49,946**	70,476
6 to 12 months	**2,276**	10,001
Over 1 year	**1,363**	1,958
	140,331	136,867

11 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	2019 **RMB'000**	***2018*** RMB'000
Interim dividend declared and payable after the interim period of HK$0.6 cents per ordinary share (2018: Nil)	**10,661**	—

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid/payable during the interim period

	Six months ended 30 June	
	2019 **RMB'000**	*2018* RMB'000
Final dividend in respect of the previous financial year, approved and paid/payable during the following interim period, of HK$0.6 cents per ordinary share (six months ended 30 June 2018: HK$170,000 per ordinary share)	**10,220**	13,804

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Automotive ownership in the PRC increased rapidly amid China's rapid economic growth, continuing urbanization and increasing levels of household consumption. The growth of the heavy truck and passenger vehicle interior decorative product markets in the PRC are mainly driven by the following growth drivers: (i) increase in popularity of passenger vehicles and wide application of heavy trucks; (ii) increase in demand from logistics industry and coal industry; (iii) higher requirements for comfort; and (iv) regulatory control and policy support. The Board expect that the automotive interior products market in the PRC will maintain growth as China's automotive ownership continues to grow.

BUSINESS REVIEW

We are the largest heavy truck 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.

We generated revenue mainly from the manufacture and sales of interior and exterior decorative components and parts to truck and passenger vehicle manufacturers in the PRC. Set forth below is the breakdown of our revenue by product category for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June			
	2019		*2018*	
	RMB'000	**%**	RMB'000	%
Heavy truck decorative components and parts	**149,743**	**94.7**	118,646	89.5
Passenger vehicle decorative components and parts	**8,364**	**5.3**	13,976	10.5
Total	**158,107**	**100.0**	132,622	100.0

Revenue from sales of heavy truck decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts increased from approximately RMB118.6 million for the six months ended 30 June 2018 to approximately RMB149.7 million for the six months ended 30 June 2019, representing an increase of approximately 26.2%, mainly due to the increasing customers demand of our Group's heavy trucks' decorative components and parts, which was principally attributable to the increase in construction and industrial activities. Since heavy trucks were widely applied in infrastructure construction and logistics industries while the construction and logistics industries were stimulated by the policies such as "One Belt, One Road" and "Yangtze River Economic Zone", there has been a constant increase in the demand for heavy trucks.

Revenue from sales of passenger vehicle decorative components and parts

Revenue generated from sales of passenger vehicles' decorative components and parts decreased from approximately RMB14.0 million for the six months ended 30 June 2018 to approximately RMB8.4 million for the six months ended 30 June 2019, representing an decrease of approximately 40.2%. Such decrease was mainly due to the decrease in the demand from passenger vehicles manufacturers on our products, which was inherently due to the decline in overall market demand for passenger vehicles resulting from multiple factors such as macroeconomic environment and policies.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately RMB132.6 million for the six months ended 30 June 2018 to approximately RMB158.1 million for the six months ended 30 June 2019, representing an increase of approximately 19.2%. The increase was primarily due to growth in sales of our heavy trucks' decorative components and parts.

Gross profit and gross profit margin

Our overall gross profit increased from approximately RMB44.9 million for the six months ended 30 June 2018 to approximately RMB52.9 million for the six months ended 30 June 2019, representing an increase of approximately 17.8%. Such increase was generally in line with the increase in revenue for the same period. Our overall gross profit margin remained relatively stable at approximately 33.5% for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 33.9%).

Other income/(loss)

We recorded other income of approximately RMB4.8 million for the six months ended 30 June 2019 compared to other loss of approximately RMB2.8 million for the six months ended 30 June 2018. Such change was primarily due to (i) net foreign exchange losses of approximately RMB2.8 million resulting from consideration payable for acquiring Xian Tianrui in 2018; and (ii) increase in government grants of approximately RMB3.0 million, mainly due to listing subsidies which were recognised as other income.

Selling expenses

Our selling expenses remained relatively stable at approximately RMB3.6 million both for the six months ended 30 June 2018 and 2019.

Administrative expenses

Our administrative expenses increased from approximately RMB19.1 million for the six months ended 30 June 2018 to approximately RMB22.8 million for the six months ended 30 June 2019, representing an increase of approximately 19.2%. Such increase was primarily due to the overall increase of our business scale. In particular, we have incurred research and development expenses of approximately RMB7.2 million for the six months ended 30 June 2019 as compared to the same period in 2018 of approximately RMB4.3 million, resulting from hiring additional research and development personnel, especially for the development of the passenger vehicles' decorative components and parts. In addition, we incurred expenses of approximately RMB2.7 million for the six months ended 30 June 2019 as compared to approximately RMB1.3 million for the six months ended 30 June 2018 in relation to the impairment losses on trade and bills receivable .

Finance costs

Our finance costs decreased from approximately RMB4.3 million for the six months ended 30 June 2018 to approximately RMB2.2 million for the six months ended 30 June 2019, representing an decrease of approximately 48.3%, which was mainly attributable to decrease in our weighted average balance of bank and other loans during the six months ended 30 June 2019.

Income tax

Our income tax expense increased from approximately RMB2.7 million for the six months ended 30 June 2018 to approximately RMB6.8 million for the six months ended 30 June 2019, representing a increase of approximately 148.4%. Such increase was mainly due to the increase in profit before tax for the period. The effective tax rates increased from approximately 17.7% for the six months ended 30 June 2018 to approximately 23.4% for the six months ended 30 June 2019, mainly due to (i) the applicable tax rate of 25% for Xian Tianrui for the period ended 30 June 2019 compared to the preferential income tax rate of 15% for the period ended 30 June 2018; and (ii) foreign exchange loss for acquisition of Xian Tianrui in 2018, which is non-deductible for tax purpose.

Profit for the period

As a result of the foregoing, our profit for the period increased from approximately RMB12.7 million for the six months ended 30 June 2018 to approximately RMB22.3 million for the six months ended 30 June 2019, representing an increase of approximately 74.8%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's business operations are primarily financed by cash generated from operating activities, net proceeds received from the global offering of the Company completed in January 2019 and bank and other loans. As of 30 June 2019 and 31 December 2018, the Group had cash and cash equivalents of approximately RMB46.3 million and RMB13.4 million, respectively.

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

Bank and Other Loans

Our bank and other loans increased from approximately RMB52.8 million as at 31 December 2018 to approximately RMB109.3 million as at 30 June 2019. Bank and other loans in the amounts of approximately RMB109.3 million (31 December 2018: approximately RMB52.8 million) were secured by trade and bills receivables, property, plant and equipment of the Group.

Gearing Ratio

The gearing ratio as at 31 December 2018 and 30 June 2019 were at 45.7% and 49.5%, 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.

Secured Assets

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

	As at 30 June 2019	*As at 31 December 2018*
	RMB'000	RMB'000
Property, plant and equipment	**75,464**	57,060
Lease prepayments	**—**	9,486
Trade and bills receivables	**97,973**	41,241
	173,437	107,787

Capital Expenditure

As at 30 June 2019, the capital expenditures were approximately RMB15.9 million (six months ended 30 June 2018: approximately RMB19.8 million). The capital expenditure incurred for the six months ended 30 June 2019 primarily related to the construction of new plants and the purchase of new machinery and equipment.

Capital Commitments

As at 30 June 2019, the capital commitments in respect of property, plant and equipment contracted for approximately RMB31.6 million (31 December 2018: approximately RMB34.0 million).

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: RMBNil).

FLUCTUATION OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. The Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2019.

INTERIM DIVIDEND

The board of directors of the Company resolved to declare an interim dividend of HK$0.6 cents per ordinary share for the six months ended 30 June 2019, totally HK$12,000,000 (six months ended 30 June 2018: Nil). It is expected that the interim dividend will be paid on or around 18 October 2019 to those shareholders whose names are on the register of members of the Company on 27 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

From 25 September 2019 (Wednesday) to 27 September 2019 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the interim dividend. In order to establish entitlements to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24 September 2019 (Tuesday).

During the period mentioned above, no transfers of shares will be registered.

EMPLOYEE AND REMUNERATION POLICIES

As of 30 June 2019, the Group had a total of 468 full time employees (31 December 2018: 425). For the six months ended 30 June 2019, the Group incurred total staff costs of approximately RMB19.4 million (six months ended 30 June 2018: approximately RMB14.6 million), representing an increase of approximately 32.8% as compared with those in 2018.

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

In order to retain and develop the knowledge, skill level and quality of our employees, the Group places a strong emphasis on training our employees. In addition, the Group offers a competitive remuneration package to retain elite employees, and reviews the package annually according to industry benchmark and financial results as well as the individual performance of employees.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 15 January 2019 (the "**Listing Date**"). The net proceeds from the Company's issue of new shares in the Global Offering amounted to approximately HK$82.1 million, which are intended to be applied in compliance with the intended use of proceeds set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 31 December 2018 (the "**Prospectus**").

During the period from the Listing Date and up to 30 June 2019, the Group has applied the net proceeds as follows:

Use	**Proposed use of net proceeds as set out in the Prospectus** *HK$ million (approximately)*	**Actual usage up to 30 June 2019** *HK$ million (approximately)*	**Balance as at 30 June 2019** *HK$ million (approximately)*
Improving the production capabilities and capacity	34.7	4.1	30.6
Partial repayment of bank loans	14.4	14.4	—
Enhancing the research and development capabilities	11.9	1.8	10.1
Improving and widening the product offerings	8.9	7.2	1.7
Establishing new offices and warehouses including the hiring of new salespersons and optimising and upgrading the information systems	3.9	1.8	2.1
General working capital	8.3	8.3	—
Total	82.1	37.6	44.5

The unused balance of the proceeds was placed as deposits with banks.

As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this announcement, there are no major events subsequent to 30 June 2019 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

The Company's shares were first listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date up to the date of this announcement, neither our Company, nor its subsidiary have purchased, redeemed or sold any of the Company's listed securities.

FUTURE PROSPECTS

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

IN COMPLIANCE WITH THE CORPORATE GOVERNMENT CODE

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

Pursuant to code provision A.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, Mr. Hou Jianli currently performs the roles as the chairman and general manager. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more efficient overall strategic planning for our Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable our Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of our Group, the Board will continue to review and consider whether the duties of the chairman and general manager should be separated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and employees' securities transactions. Upon specific enquiries, all Directors and members of the senior management confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee had reviewed the accounting principles and policies adopted by the Group and discussed internal control and financial reporting matters including a review of the interim results for the six months ended 30 June 2019.

PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2019 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.trqcns.com and the interim report for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

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

Xi'an, the PRC, 27 August 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Hou Jianli, Ms. Chen Bierui and Mr. Zhao Shijie, and three independent non-executive Directors, namely Mr. Zhu Hongqiang, Mr. Zhou Genshu and Mr. Shin Yick Fabian.