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## CHINA TIANRUI AUTOMOTIVE INTERIORS CO., LTD

中國天瑞汽車內飾件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6162)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

#### RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	178,717	158,107	13.0%
Gross profit	63,010	52,913	19.1%
Gross profit margin	35.3%	33.5%	+1.8%pts
Profit attributable to equity shareholders	31,653	22,254	42.2%
Earnings per share			
Basic and diluted (RMB cents)	1.58	1.11	42.3%
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 2020 together with the comparative figures for the six months ended 30 June 2019. 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 2020 — unaudited**  
(Expressed in Renminbi (“RMB”))

		<i>Six months ended 30 June</i>	
		<i>2020</i>	<i>2019</i>
	<i>Note</i>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue</b>	4	<b>178,717</b>	158,107
Cost of sales		<b>(115,707)</b>	(105,194)
<b>Gross profit</b>		<b>63,010</b>	52,913
Other income	5	<b>3,923</b>	4,762
Selling expenses		<b>(5,107)</b>	(3,568)
Administrative expenses		<b>(21,090)</b>	(22,825)
<b>Profit from operations</b>		<b>40,736</b>	31,282
Finance costs	6(a)	<b>(3,236)</b>	(2,232)
<b>Profit before taxation</b>	6	<b>37,500</b>	29,050
Income tax	7	<b>(5,847)</b>	(6,796)
<b>Profit attributable to equity shareholders of the Company for the period</b>		<b>31,653</b>	22,254
<b>Earnings per share</b>			
Basic and diluted (RMB cents)	8	<b>1.58</b>	1.11

**Consolidated statement of profit or loss and other comprehensive income  
for the six months ended 30 June 2020 — Unaudited**

*(Expressed in RMB)*

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>31,653</b>	22,254
<b>Other comprehensive income for the period (after tax):</b>		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	<u>31</u>	<u>1,648</u>
<b>Total comprehensive income attributable to equity shareholders of the Company for the period</b>	<b><u>31,684</u></b>	<b><u>23,902</u></b>

**Consolidated statement of financial position**  
**at 30 June 2020 — unaudited**  
*(Expressed in RMB)*

		<i>At 30 June</i>	<i>At 31 December</i>
		<i>2020</i>	<i>2019</i>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>149,533</b>	128,983
Prepayments for acquisitions of property, plant and equipment		<b>12,435</b>	22,962
Deferred tax assets		<b>2,571</b>	1,880
		<u><b>164,539</b></u>	<u>153,825</u>
<b>Current assets</b>			
Inventories		<b>73,053</b>	60,814
Trade and bills receivables	9	<b>313,354</b>	235,944
Prepayments and other receivables		<b>14,277</b>	12,021
Cash at bank and on hand		<b>18,378</b>	59,948
		<u><b>419,062</b></u>	<u>368,727</u>
<b>Current liabilities</b>			
Bank and other loans		<b>96,551</b>	73,691
Trade and bills payables	10	<b>182,689</b>	168,406
Accrued expenses and other payables		<b>31,819</b>	36,409
Lease liabilities		<b>1,775</b>	1,007
Current taxation		<b>4,736</b>	3,595
		<u><b>317,570</b></u>	<u>283,108</u>
<b>Net current assets</b>		<u><b>101,492</b></u>	<u>85,619</u>
<b>Total assets less current liabilities</b>		<u><b>266,031</b></u>	<u>239,444</u>

**Consolidated statement of financial position  
at 30 June 2020 — unaudited (continued)**

*(Expressed in RMB)*

	<i>At 30 June</i>	<i>At 31 December</i>
	<i>2020</i>	<i>2019</i>
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current liabilities</b>		
Bank and other loans	<b>11,401</b>	4,395
Leased liabilities	<b>818</b>	1,983
Deferred income	<b>2,234</b>	2,347
	<u><b>14,453</b></u>	<u>8,725</u>
<b>NET ASSETS</b>	<u><b>251,578</b></u>	<u>230,719</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>17,522</b>	17,522
Reserves	<b>234,056</b>	213,197
<b>TOTAL EQUITY</b>	<u><b>251,578</b></u>	<u>230,719</u>

## 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 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 2019 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 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2020.

### **3 Changes in accounting policies**

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

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

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These amendments have no effect on the financial position and the financial result of the Group.

#### *Amendments to IFRS 3, Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

#### *Amendment to IFRS 16, COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

## 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:

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products:		
— Sales of heavy trucks' decorative components and parts	<b>160,189</b>	149,743
— Sales of passenger vehicles' decorative components and parts	<b>18,528</b>	8,364
	<b><u>178,717</u></b>	<b><u>158,107</u></b>

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:

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Customer A	<b>95,953</b>	57,979
Customer B	<b>60,332</b>	60,212



**(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 2020 and 2019. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating expenses, including other 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 six months ended 30 June 2020 and 2019 is set out below.

	<i>Six months ended 30 June 2020</i>		
	<b>Heavy trucks' decorative components and parts RMB'000</b>	<b>Passenger vehicles' decorative components and parts RMB'000</b>	<b>Total RMB'000</b>
Revenue recognised at a point in time from external customers	<u>160,189</u>	<u>18,528</u>	<u>178,717</u>
Reportable segment gross profit	<u>62,070</u>	<u>940</u>	<u>63,010</u>

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

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

	<i>Six months ended 30 June</i>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Total reportable segment gross profit	<b>63,010</b>	52,913
Other income	<b>3,923</b>	4,762
Selling expenses	<b>(5,107)</b>	(3,568)
Administrative expenses	<b>(21,090)</b>	(22,825)
Finance costs	<b>(3,236)</b>	(2,232)
	<hr/>	<hr/>
Consolidated profit before taxation	<b>37,500</b>	29,050
	<hr/> <hr/>	<hr/> <hr/>

(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.

**5 Other income**

	<i>Six months ended 30 June</i>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Government grants (including amortisation of deferred income)	<b>626</b>	3,213
Net gain on sales of medical goggles and scrap materials	<b>2,744</b>	21
Operating lease income	—	11
Interest income	<b>202</b>	227
Net foreign exchange (losses)/gains	<b>(67)</b>	149
Net loss on disposal of property, plant and equipment	—	(23)
Compensation received from constructor	—	1,200
Others	<b>418</b>	(36)
	<hr/>	<hr/>
	<b>3,923</b>	4,762
	<hr/> <hr/>	<hr/> <hr/>

## 6 Profit before taxation

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

### (a) Finance costs

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on		
— bank loan and other loans	<b>3,115</b>	2,197
— lease liabilities	<b>121</b>	35
	<b>3,236</b>	<b>2,232</b>

No borrowing costs have been capitalised for the six months ended 30 June 2020 (six months ended 30 June 2019: RMBNil).

### (b) Other items

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation and amortisation	<b>7,999</b>	6,856
Impairment losses on trade receivables	<b>2,192</b>	2,685
Research and development costs	<b>7,959</b>	7,194
Cost of inventories	<b>115,707</b>	105,194

## 7 Income tax

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	RMB'000	RMB'000
<b>Current taxation</b>		
Provision for the period	6,538	7,439
<b>Deferred taxation</b>		
— Origination and reversal of temporary differences	(691)	(643)
	<u>5,847</u>	<u>6,796</u>

### 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 2020 (six months ended 30 June 2019: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the six months ended 30 June 2020 (six months ended 30 June 2019: RMBNil).
- (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 six months ended 30 June 2020 (six months ended 30 June 2019: 25%)
- (iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “**High and New Technology Enterprise**” (“**HNTE**”) which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Xian Tianrui Automotive Interiors Co., Ltd. (“**Xian Tianrui**”) is qualified as a HNTE and the qualification was valid for three years from 2019 to 2021.
- (v) According to the relevant tax rules in the PRC, qualified research and development costs, are allowed for bonus deduction for income tax purpose, i.e. an additional 75% (six months ended 30 June 2019: 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 2020 is based on the profit attributable to ordinary equity shareholders of the Company of RMB31,653,000 (six months ended 30 June 2019: RMB 22,254,000) and the weighted average of 2,000,000,000 (six months ended 30 June 2019: 2,000,000,000) ordinary shares.

### (b) *Diluted earnings per share*

There were no dilutive potential shares outstanding during the six months ended 30 June 2020 and 2019.

## 9 Trade and bills receivables

	<i>At 30 June 2020</i>	<i>At 31 December 2019</i>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables, net of loss allowance	<b>199,061</b>	161,504
Bills receivables	<b>114,293</b>	74,440
	<b>313,354</b>	235,944

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:

	<i>At 30 June</i> <b>2020</b> RMB'000	<i>At 31 December</i> <b>2019</b> RMB'000
Less than 3 months	<b>193,907</b>	121,147
3 to 6 months	<b>55,339</b>	33,520
6 to 12 months	<b>46,843</b>	79,667
over 1 year	<b>17,265</b>	1,610
	<u><b>313,354</b></u>	<u>235,944</u>

## 10 Trade and bills payables

	<i>At 30 June</i> <b>2020</b> RMB'000	<i>At 31 December</i> <b>2019</b> RMB'000
Trade payables	<b>182,689</b>	109,003
Bills payables	<b>—</b>	59,403
	<u><b>182,689</b></u>	<u>168,406</u>
Financial liabilities measured at amortised cost	<u><b>182,689</b></u>	<u>168,406</u>

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

At the end of reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	<i>At 30 June</i> <b>2020</b> RMB'000	<i>At 31 December</i> <b>2019</b> RMB'000
Less than 3 months	125,395	95,105
3 to 6 months	27,808	57,476
6 to 12 months	25,214	14,727
over 1 year	4,272	1,098
	<u>182,689</u>	<u>168,406</u>

## 11 Dividends

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

	<b>2020</b> RMB'000	<b>2019</b> RMB'000
Interim dividend declared and payable after the interim period of Nil(2019: HK\$0.6 cents per ordinary share)	—	10,661

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

	<i>Six months ended 30 June</i>	
	<b>2020</b> RMB'000	<b>2019</b> RMB'000
Final dividend in respect of the previous financial year, approved and payable/paid during the following interim period, of HK\$0.6 cents per ordinary share (six months ended 30 June 2019: HK\$0.6 per ordinary share)	<u>10,825</u>	<u>10,220</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

Automotive ownership in the PRC increased rapidly amid China's rapid economic growth, continuing urbanization and increasing levels of household consumption. The growth of the heavy 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 expects that the automotive interior products market in the PRC is expected to maintain growth as China's automotive ownership 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.

The Group is principally engaged in the manufacturing and sales of automotive interior and exterior decorative components and parts. Set forth below is the breakdown of our revenue by product category for the six months ended 30 June 2020 and 2019:

	<i>Six months ended 30 June</i>			
	<i>2020</i>		<i>2019</i>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Heavy truck decorative components and parts	<b>160,189</b>	<b>89.6</b>	149,743	94.7
Passenger vehicle decorative components and parts	<b>18,528</b>	<b>10.4</b>	8,364	5.3
Total	<b><u>178,717</u></b>	<b><u>100.0</u></b>	<b><u>158,107</u></b>	<b><u>100.0</u></b>

### **Revenue from sales of heavy truck decorative components and parts**

Revenue generated from sales of heavy trucks' decorative components and parts increased from approximately RMB149.7 million for the six months ended 30 June 2019 to approximately RMB160.2 million for the six months ended 30 June 2020, representing an increase of approximately 7.0%, 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 increased from approximately RMB8.4 million for the six months ended 30 June 2019 to approximately RMB18.5 million for the six months ended 30 June 2020, representing an increase of approximately 121.5%. Such increase was mainly due to our expanded customer base and new relationships with first-tier and/or multi-tier suppliers that supply automotive decorative products to passenger vehicle manufacturers.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased from approximately RMB158.1 million for the six months ended 30 June 2019 to approximately RMB178.7 million for the six months ended 30 June 2020, representing an increase of approximately 13.0%. The increase was primarily due to growth in sales of our heavy trucks' decorative components and parts and passenger vehicles' decorative components and parts.

### **Gross profit and gross profit margin**

Our overall gross profit increased from approximately RMB52.9 million for the six months ended 30 June 2019 to approximately RMB63.0 million for the six months ended 30 June 2020, representing an increase of approximately 19.1%. Such increase was generally in line with the increase in revenue for the same period. Our overall gross profit margin increased slightly from approximately 33.5% for the six months ended 30 June 2019 to approximately 35.3% for the six months ended 30 June 2020. Such increase was mainly due to the increase in gross profit margin in heavy trucks' decorative components and parts.

## **Other income**

Other income decreased from approximately RMB4.8 million for the six months ended 30 June 2019 to approximately RMB3.9 million for the six months ended 30 June 2020, representing a decrease of approximately 17.6%. Such decrease was mainly due to the decrease in listing subsidies recognised as other income of approximately RMB3.0 million for the six months ended 30 June 2020, which was partially offset by the increase in net gain from sales of medical goggles of approximately RMB2.4 million for the six months ended 30 June 2020.

## **Selling expenses**

Our selling expenses increased from approximately RMB3.6 million for the six months ended 30 June 2019 to approximately RMB5.1 million for the six months ended 30 June 2020, representing an increase of approximately 43.1%. Such increase was mainly due to (i) the increase in transportation costs from approximately RMB1.3 million for the six months ended 30 June 2019 to approximately RMB2.4 million for the six months ended 30 June 2020, representing an increase of approximately 76.2%, primarily attributable to the increase in our sales volume; and (ii) the increase in employee benefit costs as well as other expenses in response to our business growth, including certain miscellaneous expenses incurred in relation to unloading of our new products at our customers' production facilities.

## **Administrative expenses**

Our administrative expenses decreased from approximately RMB22.8 million for the six months ended 30 June 2019 to approximately RMB21.1 million for the six months ended 30 June 2020, representing a decrease of approximately 7.6%. Such decrease was mainly due to the decrease in listing expenses of approximately RMB4.0 million for the six months ended 30 June 2020, which was partially offset by the increase in employee benefit costs of approximately RMB2.3 million for the six months ended 30 June 2020.

## **Finance costs**

Our finance costs increased from approximately RMB2.2 million for the six months ended 30 June 2019 to approximately RMB3.2 million for the six months ended 30 June 2020, representing an increase of approximately 45.0%, which was mainly attributable to the increase in our weighted average balance of bank and other loans during the six months ended 30 June 2020.

## **Income tax**

(i) Our income tax expense decreased from approximately RMB6.8 million for the six months ended 30 June 2019 to approximately RMB5.8 million for the six months ended 30 June 2020, representing a decrease of approximately 14.0%. Such decrease was mainly due to 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 2020. The effective tax rates decreased from approximately 23.4% for the six months ended 30 June 2019 to approximately 15.6% for the six months ended 30 June 2020.

## **Profit for the period**

As a result of the foregoing, our profit for the period increased from approximately RMB22.3 million for the six months ended 30 June 2019 to approximately RMB31.7 million for the six months ended 30 June 2020, representing an increase of approximately 42.2%.

## **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 2020 and 31 December 2019, the Group had cash and cash equivalents of approximately RMB14.3 million and RMB30.2 million, respectively.

As at 30 June 2020, the Group's had trade and bills receivables amounted to RMB313.4 million. Among which, approximately 40.3% was due from the Group's largest customers, which have sizeable business operation, long business relationship with the Group and good repayment history. In addition, to better control our credit risk, we have formulated procedures to review and monitor the customer portfolio from time to time, which include (1) checking the Group's internal record regarding the payment history of the customers; and (2) conducting company search, litigation search and credit search for new customers. The Group has also laid down procedures in relation to the material overdue payments, which include (1) closely monitoring the material overdue payments; (2) evaluating the risk level on a case-by-case basis having taken into account the relationship with respective customers, payment history, financial position and general economic environment; and (3) designing appropriate follow-up actions, for example, making phone calls, issuing demand letters, visiting customer's office and initiating legal proceedings or actions.

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**

Our bank and other loans increased from approximately RMB78.1 million as at 31 December 2019 to approximately RMB108.0 million as at 30 June 2020. Bank and other loans in the amounts of approximately RMB75.0 million (31 December 2019: approximately RMB78.1 million) were secured by trade and bills receivables, property, plant and equipment of the Group.

### **Gearing ratio**

The gearing ratio as at 31 December 2019 and 30 June 2020 were at 33.8% and 42.9%, 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:

	<i>As at</i> <b>30 June</b> <i>2020</i> RMB'000	<i>As at</i> <i>31 December</i> <i>2019</i> RMB'000
Property, plant and equipment	<b>94,066</b>	76,615
Trade and bills receivables	<b>89,052</b>	46,718
	<b>183,118</b>	123,333

## Capital expenditure

As at 30 June 2020, the capital expenditures were approximately RMB18.3 million (six months ended 30 June 2019: approximately RMB15.9 million). The capital expenditure incurred for the six months ended 30 June 2020 primarily related to the construction of new plants and the purchase of new machinery and equipment.

## Capital commitments

As at 30 June 2020, the capital commitments in respect of property, plant and equipment contracted for approximately RMB35.4 million (31 December 2019: approximately RMB39.1 million).

## Contingent liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: 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 2020.

## **INTERIM DIVIDEND**

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$0.6 cents per ordinary share).

## **EMPLOYEE AND REMUNERATION POLICIES**

As of 30 June 2020, the Group had a total of 672 full time employees (31 December 2019: 540). For the six months ended 30 June 2020, the Group incurred total staff costs of approximately RMB21.0 million (six months ended 30 June 2019: approximately RMB19.4 million), representing an increase of approximately 8.2% as compared with those in 2019.

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

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

## USE OF PROCEEDS

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

Set out below are details of the use of proceeds up to 30 June 2020:

Use	Original planned use of net proceeds <i>HK\$ million</i> <i>(approximately)</i>	The reallocation of the use of net proceeds <i>HK\$ million</i> <i>(approximately)</i>	Actual usage up to 30 June 2020 <i>HK\$ million</i> <i>(approximately)</i>	Balance as at 30 June 2020 <i>HK\$ million</i> <i>(approximately)</i>
Improving the production capabilities and capacity	34.7	22.7	22.7	—
Partial repayment of bank loans	14.4	14.4	14.4	—
Enhancing the research and development capabilities	11.9	7.9	7.9	—
Improving and widening the product offerings	8.9	8.9	8.9	—
Establishing new offices and warehouses including the hiring of new salespersons and optimising and upgrading the information systems	3.9	3.9	3.9	—
General working capital	8.3	24.3	18.0	6.3
Total	<u>82.1</u>	<u>82.1</u>	<u>75.8</u>	<u>6.3</u>

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

## **MAJOR SUBSEQUENT EVENTS**

Save as disclosed in this announcement, there are no major events subsequent to 30 June 2020 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. At the same time, we will also capture emerging opportunities and use the opportunities provided by the local government and various preferential policies to carry out the production of medical goggles, and actively identify partners for joint development and achieve sustainable and long-term business growth.

## **IN COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 2020.

## **PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2020 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](http://www.hkexnews.hk) and on the website of the Company at [www.trqens.com](http://www.trqens.com) and the interim report for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

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

Xi’an, the PRC, 28 August 2020

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