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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 2022

RESULTS HIGHLIGHTS

	<i>For the six months ended 30 June</i>		Change
	2022	2021	
	RMB'000	RMB'000	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue	78,502	216,980	-63.82%
Gross profit	11,275	63,175	-82.15%
Gross profit margin	14.4%	29.1%	-14.7% pts
(Loss)/profit attributable to equity shareholders	(10,895)	23,793	-145.79%
(Loss)/earnings per share			
Basic and diluted (RMB cents)	(0.54)	1.19	-145.38%
Proposed interim dividend (HK\$ cents)	—	—	N/A

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianrui Automotive Interiors Co., LTD (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the six months ended 30 June 2021. 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 2022 – unaudited
(Expressed in Renminbi (“RMB”))

		<i>Six months ended 30 June</i>	
		<i>2022</i>	<i>2021</i>
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	78,502	216,980
Cost of sales		<u>(67,227)</u>	<u>(153,805)</u>
Gross profit	4(b)	11,275	63,175
Other income	5	813	1,066
Selling and distribution expenses		(3,337)	(5,950)
Administrative expenses		(16,969)	(24,819)
Impairment losses reversed/(provided) for the period on trade and other receivables		<u>287</u>	<u>(466)</u>
(Loss)/profit from operations		(7,931)	33,006
Finance costs	6(a)	<u>(5,017)</u>	<u>(4,825)</u>
(Loss)/profit before taxation	6	(12,948)	28,181
Income tax	7	<u>2,053</u>	<u>(4,388)</u>
(Loss)/profit attributable to equity shareholders of the Company for the period		<u>(10,895)</u>	<u>23,793</u>
(Loss)/earnings per share	8		
Basic and diluted (RMB cents)		<u>(0.54)</u>	<u>1.19</u>

**Consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2022 – Unaudited**
(Expressed in RMB)

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	RMB'000	RMB'000
(Loss)/profit for the period	(10,895)	23,793
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	<u>450</u>	<u>(78)</u>
Total comprehensive income attributable to equity shareholders of the Company for the period	<u>(10,445)</u>	<u>23,715</u>

Consolidated statement of financial position
at 30 June 2022 – unaudited
(Expressed in RMB)

		<i>At 30 June</i>	<i>At 31 December</i>
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		203,126	204,921
Intangible assets		1,726	1,279
Prepayments for acquisitions of property, plant and equipment		7,467	6,285
Deferred tax assets		4,104	2,061
		<u>216,423</u>	<u>214,546</u>
Current assets			
Inventories		62,101	60,224
Trade and bills receivables	9	138,694	166,130
Prepayments and other receivables		24,854	30,566
Cash at bank and on hand		59,604	100,850
		<u>285,253</u>	<u>357,770</u>
Current liabilities			
Bank and other loans		128,837	118,602
Trade and bills payables	10	61,467	131,862
Accrued expenses and other payables		38,266	36,028
Lease liabilities		324	820
Current taxation		21	73
		<u>228,915</u>	<u>287,385</u>
Net current assets		<u>56,338</u>	<u>70,385</u>
Total assets less current liabilities		<u>272,761</u>	<u>284,931</u>

Consolidated statement of financial position
at 30 June 2022 – unaudited (Continued)
(Expressed in RMB)

	<i>At 30 June</i> 2022 RMB'000	<i>At 31 December</i> 2021 RMB'000
Non-current liabilities		
Bank and other loans	12,590	15,232
Leased liabilities	–	58
Deferred income	3,944	2,969
	<u>16,534</u>	<u>18,259</u>
NET ASSETS	<u>256,227</u>	<u>266,672</u>
CAPITAL AND RESERVES		
Share capital	17,522	17,522
Reserves	238,705	249,150
TOTAL EQUITY	<u>256,227</u>	<u>266,672</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 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2022.

3 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts—cost of fulfilling a contract*

None of these 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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>2022</i>	<i>2021</i>
	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	63,015	204,924
— Sales of passenger vehicles' decorative components and parts	15,487	12,056
	78,502	216,980

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>2022</i>	<i>2021</i>
	RMB'000	RMB'000
Customer A	21,603	69,794
Customer B	36,300	129,376
	<u>57,903</u>	<u>199,170</u>

(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 2022 and 2021. 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 2022 and 2021 is set out below.

	<i>Six months ended 30 June 2022</i>		
	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	<u>63,015</u>	<u>15,487</u>	<u>78,502</u>
Reportable segment gross profit	<u>9,726</u>	<u>1,549</u>	<u>11,275</u>
	<i>Six months ended 30 June 2021</i>		
	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	<u>204,924</u>	<u>12,056</u>	<u>216,980</u>
Reportable segment gross profit	<u>61,150</u>	<u>2,025</u>	<u>63,175</u>

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

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	RMB'000	RMB'000
Total reportable segment gross profit	11,275	63,175
Other income	813	1,066
Selling and distribution expenses	(3,337)	(5,950)
Administrative expenses	(16,969)	(24,819)
Impairment losses reversed/(provided) for the period on trade and other receivables	287	(466)
Finance costs	(5,017)	(4,825)
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Consolidated (loss)/profit before taxation	(12,948)	28,181
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(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>	
	<i>2022</i>	<i>2021</i>
	RMB'000	RMB'000
Government grants (including amortisation of deferred income)	367	312
Net gain on sales of scrap materials	165	417
Interest income	281	337
	<hr/>	<hr/>
	813	1,066
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6 (Loss)/profit before taxation

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

(a) Finance costs

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	RMB'000	RMB'000
Interests on		
— bank loan and other loans	4,987	4,685
— lease liabilities	30	140
	<hr/>	<hr/>
	5,017	4,825
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No borrowing costs have been capitalised for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB Nil).

(b) Other items

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	RMB'000	RMB'000
Depreciation and amortisation	16,137	11,201
Research and development costs	5,768	10,269
Cost of inventories	67,227	153,805
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	<hr/> <hr/>	<hr/> <hr/>

7 Income tax

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	RMB'000	RMB'000
Current taxation		
— Provision for the period	(10)	3,679
Deferred taxation		
— Origination and reversal of temporary differences	(2,043)	709
	<u>(2,053)</u>	<u>4,388</u>

Notes:

- (i) The Company incorporated in the Cayman Islands and the subsidiary of the Group incorporated in the British Virgin Islands (the “BVI”) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (ii) The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%). The entity did not have assessable profits which is subject to Hong Kong Profits Tax for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB Nil).
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%).
- (iv) Certain subsidiaries of the Group established in the PRC obtained approvals from the tax bureaux in 2021 that they are entitled to tax benefits applicable to entities under the Third Phase of the Western Region Development Plan of the PRC, and enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2021 to 2030.
- (v) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “High and New Technology Enterprise” (“HNTe”) which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Xian Tianrui Automotive Interiors Co., Ltd. (“Xian Tianrui”) is qualified as a HNTe and the qualification was valid for three years from 2022 to 2024.
- (vi) According to the relevant tax rules in the PRC, qualified research and development costs, are allowed for bonus deduction for income tax purpose, i.e. an additional 100% (six months ended 30 June 2021: 100%) of such expenses could be deemed as deductible expenses.

8 (Loss)/earnings per share

(a) *Basic (loss)/earnings per share*

The calculation of basic loss per share for six months ended in 30 June 2022 is based on the loss attributable to ordinary equity shareholders of the Company of RMB10,895,000 (six months ended 30 June 2021: earnings RMB23,793,000) and the weighted average of 2,000,000,000 (six months ended 30 June 2021: 2,000,000,000) ordinary shares.

(b) *Diluted (loss)/earnings per share*

There were no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021.

9 Trade and bills receivables

	<i>At</i> 30 June 2022 RMB'000	<i>At</i> <i>31 December</i> <i>2021</i> RMB'000
Trade receivables, net of loss allowance	72,124	73,388
Bills receivables	66,570	92,742
	138,694	166,130

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</i> 30 June 2022 RMB'000	<i>At</i> <i>31 December</i> <i>2021</i> RMB'000
Less than 3 months	111,305	126,820
3 to 6 months	15,609	23,556
6 to 12 months	11,780	11,516
more than 1 year	<u>–</u>	<u>4,238</u>
	<u>138,694</u>	<u>166,130</u>

10 Trade and bills payables

	<i>At</i> 30 June 2022 RMB'000	<i>At</i> <i>31 December</i> <i>2021</i> RMB'000
Trade payables	50,431	64,287
Bills payables	<u>11,036</u>	<u>67,575</u>
	<u>61,467</u>	<u>131,862</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</i> 30 June 2022 RMB'000	<i>At</i> 31 December 2021 RMB'000
Less than 3 months	35,731	59,433
3 to 6 months	16,211	54,784
6 to 12 months	5,424	15,670
over 1 year	4,101	1,975
	<u>61,467</u>	<u>131,862</u>

11 Dividends

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

	<i>Six months ended 30 June</i>	
	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK\$ Nil per ordinary share (six months ended 30 June 2021: HK\$0.6 cents per ordinary share)	<u>-</u>	<u>10,024</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2022, the heavy truck market suffered its “darkest hour” due to the economic downturn, the outbreak of the pandemic, rising oil prices, market saturation and many other adverse factors. From January to June, heavy truck sales experienced “six consecutive drops” compared with the same periods in recent years, among which the sales in the first four months hit a new low compared with the same periods in recent years. In May and June, the pandemic was brought under effective control, all industries actively resumed work and production, and a package of policies was introduced at the national and local levels to stabilize the economy and protect people’s livelihood. At the same time, with the further recovery of road freight channels, the heavy truck market entered a slight “recovery period”, and the sales volume increased by more than 10% on a sequential basis. The year of 2022 is set to be a very difficult year for the heavy truck market. In the second half of the year, with the economic stabilization and recovery and the accelerated release of favorable policies, the heavy truck market is expected to usher in a new “inflection point” in the recovery.

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 manufacture and sale 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 2022 and 2021:

	<i>Six months ended 30 June</i>			
	<i>2022</i>		<i>2021</i>	
	RMB’000	%	RMB’000	%
Heavy truck decorative components and parts	63,015	80.3	204,924	94.4
Passenger vehicle decorative components and parts	15,487	19.7	12,056	5.6
Total	78,502	100.0	216,980	100.0

Revenue from sales of heavy truck decorative components and parts

Revenue generated from sales of heavy trucks' decorative components and parts decreased from approximately RMB204.9 million for the six months ended 30 June 2021 to approximately RMB63.0 million for the six months ended 30 June 2022, representing a decrease of approximately 69.2%. Such decrease was primarily due to a sharp year-on-year drop in the sales volume of heavy trucks in the market. During the six months ended 30 June 2022, the nationwide sales volume of heavy trucks was 380,000 units, representing a decrease of approximately 63.6% over the same period of last year.

Revenue from sales of passenger vehicle decorative components and parts

Revenue generated from sales of passenger vehicles' decorative components and parts increased from approximately RMB12.1 million for the six months ended 30 June 2021 to approximately RMB15.5 million for the six months ended 30 June 2022, representing an increase of approximately 28.5%. Such increase was primarily due to an increase in the overall demand of passenger vehicles in 2022 and the fact that we have proactively expanded our new products for passenger vehicles.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately RMB217.0 million for the six months ended 30 June 2021 to approximately RMB78.5 million for the six months ended 30 June 2022, representing a decrease of approximately 63.8%. Such decrease was primarily due to a year-on-year decrease in the sales of parts and components of heavy trucks as a result of the impact of less demand in the national heavy trucks market.

Gross profit and gross profit margin

Our gross profit decreased from approximately RMB63.2 million for the six months ended 30 June 2021 to approximately RMB11.3 million for the six months ended 30 June 2022, representing a decrease of approximately 82.2%. Our overall gross profit margin decreased from approximately 29.1% for the six months ended 30 June 2021 to approximately 14.4% for the six months ended 30 June 2022. Such decrease was primarily due to the lower sales income and the higher fixed costs including depreciation, resulting in a lower gross margin of products.

Other income

Other income decreased from approximately RMB1.1 million for the six months ended 30 June 2021 to approximately RMB0.8 million for the six months ended 30 June 2022, representing a decrease of approximately 23.7%. Such decrease was mainly due to the decrease of RMB0.3 million in revenue from sales of scrap in 2022 compared to 2021.

Selling expenses

Our selling expenses decreased from approximately RMB6.0 million for the six months ended 30 June 2021 to approximately RMB3.3 million for the six months ended 30 June 2022, representing a decrease of approximately 43.9%. The decrease was primarily due to the lower transportation costs as a result of our lower sales volume.

Administrative expenses

Our administrative expenses decreased from approximately RMB24.8 million for the six months ended 30 June 2021 to approximately RMB17.0 million for the six months ended 30 June 2022, representing a decrease of approximately 31.6%. Such decrease was mainly due to the decrease in research and development expenses and employee benefit costs for the six months ended 30 June 2022.

Finance costs

Our finance costs increased from approximately RMB4.8 million for the six months ended 30 June 2021 to approximately RMB5.0 million for the six months ended 30 June 2022, representing an increase of approximately 4.0%. Such increase was mainly attributable to the increase in our weighted average balance of bank and other loans during the six months ended 30 June 2022.

Income tax

Our income tax credit amounted to approximately RMB2.1 million for the six months ended 30 June 2022 and the income tax expenses accounted to approximately RMB4.4 million for the six months ended 30 June 2021. The income tax credit was mainly due to the negative profit before tax during the period and the recognition of the deferred income tax assets.

(Loss)/profit for the period

As a result of the foregoing, our loss amounted to approximately RMB10.9 million for the six months ended 30 June 2022, as compared to the profit amounted to approximately RMB23.8 million for the six months ended 30 June 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's business operations are primarily financed by cash generated from operating activities, and bank and other loans. As of 30 June 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB59.6 million and RMB62.5 million, respectively.

The Group monitors the cash flows and cash balance on a regular basis, and seeks to maintain an optimal level of liquidity that can meet 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 RMB133.8 million as at 31 December 2021 to approximately RMB141.4 million as at 30 June 2022. Among them, the bank and other loans in the amounts of approximately RMB91.4 million (31 December 2021: RMB93.8 million) were secured by trade receivables and bills receivables, property, plant and equipment of the Group, and the credit loans and the loans guaranteed by third party amounted to approximately RMB50.0 million (31 December 2021: RMB40.0 million).

Gearing Ratio

The gearing ratio as at 31 December 2021 and 30 June 2022 were at 50.2% and 55.2%, 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> 30 June 2022 RMB'000	<i>As at</i> <i>31 December</i> <i>2021</i> RMB'000
Property, plant and equipment	107,120	112,144
Trade and bills receivables	40,526	25,090
	147,646	137,234

Capital Expenditure

As at 30 June 2022, the capital expenditures were approximately RMB14.8 million (six months ended 30 June 2021: approximately RMB24.4 million). The capital expenditures incurred for the six months ended 30 June 2022 were primarily related to the purchase of new machinery and equipment.

Capital Commitments

As at 30 June 2022, the capital commitments in respect of property, plant and equipment contracted for approximately RMB14.5 million (31 December 2021: approximately RMB16.0 million).

Contingent liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: RMB Nil).

FLUCTUATION OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations to 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 2022.

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 2022 (six months ended 30 June 2021: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As of 30 June 2022, the Group had a total of 364 full time employees (30 June 2021: 528). For the six months ended 30 June 2022, the Group incurred total staff costs of approximately RMB21.3 million (six months ended 30 June 2021: approximately RMB30.4 million), representing a decrease of approximately 29.9% as compared with those for the six months ended 30 June 2021.

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

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

MAJOR SUBSEQUENT EVENTS

By the end of 30 June 2022, the ongoing COVID-19 pandemic and the outbreaks in some provinces in the PRC has brought uncertainties in the Group's operating environment and has certainly impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. In view of the epidemic-driven economic downturn, the Group assessed the situation and adhered to the principles of reducing costs and enhancing operational efficiency.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period ended 30 June 2022 and 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

In the past year, due to the overdraft of industry demand caused by the change of vehicle pollutants emission standards from “China V” to “China VI”, the heavy truck industry has experienced the sales slump for one year since July 2021, and it is currently in a cyclical trough. By looking forward to the future, under the favorable factors such as stable growth, infrastructure stimulus, logistics recovery, etc., it is expected that the sales volume will recover month after month in the second half of this year. While benefiting further from the implementation of the western development in Northwest China, the transportation, energy, telecommunications and other infrastructure development will be stimulated. Our Group will take this opportunity to continuously strengthen new product development with existing customers, expand new customers for passenger vehicles actively, promote the dual track operation of “commercial vehicle + passenger vehicle” steadily, expand the product portfolio constantly, enhance core competitiveness, and achieve the sustainable long-term growth of our business.

IN COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company is committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders’ expectations. 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 C.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. In addition, other board members and independent non-executive Directors continue to scrutinise important decisions and monitor the chairman cum chief executive’s power. 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 has 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 2022.

PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2022 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 2022 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, 26 August 2022

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