



中國汽車內飾集團有限公司

CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8321)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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This announcement, for which the directors (the “Directors”) of China Automotive Interior Decoration Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

INTERIM RESULTS

The board of directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company for the three months and the six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding periods in 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2012

	Note	Three months ended		Six months ended	
		30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue	3	37,803	36,672	71,502	69,897
Cost of sales		<u>(29,935)</u>	<u>(25,888)</u>	<u>(58,013)</u>	<u>(55,020)</u>
Gross profit		7,868	10,784	13,489	14,877
Other income	4	713	194	873	406
Selling and distribution costs		(1,277)	(2,116)	(3,390)	(4,039)
Administrative expenses		(3,507)	(2,742)	(6,080)	(5,727)
Profit from operations	6	3,797	6,120	4,892	5,517
Finance costs	7	(375)	(411)	(880)	(707)
Profit before tax		3,422	5,709	4,012	4,810
Income tax expense	8	(433)	(904)	(589)	(1,431)
Profit for the period attributable to the owners of the Company		2,989	4,805	3,423	3,379
		RMB	RMB	RMB	RMB
Earnings per share	9				
Basic		1.0 cents	2.4 cents	1.3 cents	1.7 cents
Diluted		1.0 cents	2.4 cents	1.3 cents	1.7 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2012

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period	2,989	4,805	3,423	3,379
Other comprehensive loss, net of income tax:				
Exchange differences on translating foreign operations	<u>(38)</u>	<u>(22)</u>	<u>(71)</u>	<u>(27)</u>
Total comprehensive income for the period attributable to the owners of the Company	<u>2,951</u>	<u>4,783</u>	<u>3,352</u>	<u>3,352</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Note</i>	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		41,887	42,253
Prepaid land lease payments		2,961	2,990
Deferred tax assets		899	854
		45,747	46,097
Current assets			
Prepaid land lease payments		73	73
Inventories		14,723	13,806
Trade receivables	11	61,395	60,109
Notes receivables		–	3,400
Prepayments, deposits and other receivables		20,662	15,258
Cash and bank balances		25,806	16,387
		122,659	109,033
Total assets		168,406	155,130
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	12	30,330	20,552
Reserves		94,478	92,022
Total equity		124,808	112,574
LIABILITIES			
Current liabilities			
Trade payables	13	7,578	10,374
Accruals and other payables		5,638	4,950
Borrowings	14	30,000	25,000
Finance lease payables		85	209
Tax payable		297	2,023
Total liabilities		43,598	42,556
Total equity and liabilities		168,406	155,130
Net current assets		79,061	66,477
Total assets less current liabilities		124,808	112,574

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Foreign currency translation reserve (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2011	17,275	18,565	5,992	2,690	5,464	36,364	86,350
Profit for the period	-	-	-	-	-	3,379	3,379
Other comprehensive loss for the period, net of income tax:							
Exchange differences on translating foreign operations	-	-	-	(27)	-	-	(27)
Total comprehensive income for the period	-	-	-	(27)	-	3,379	3,352
At 30 June 2011	<u>17,275</u>	<u>18,565</u>	<u>5,992</u>	<u>2,663</u>	<u>5,464</u>	<u>39,743</u>	<u>89,702</u>
At 1 January 2012	20,552	22,694	5,992	2,657	7,681	52,998	112,574
Profit for the period	-	-	-	-	-	3,423	3,423
Other comprehensive loss for the period, net of income tax:							
Exchange differences on translating foreign operations	-	-	-	(71)	-	-	(71)
Total comprehensive income for the period	-	-	-	(71)	-	3,423	3,352
Issue of share by way of open offer	9,778	-	-	-	-	-	9,778
Share issue expenses	-	(896)	-	-	-	-	(896)
At 30 June 2012	<u>30,330</u>	<u>21,798</u>	<u>5,992</u>	<u>2,586</u>	<u>7,681</u>	<u>56,421</u>	<u>124,808</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended	
	30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	(2,637)	(8,368)
Net cash used in investing activities	(1,631)	(3,283)
Net cash generated from/(used in) financing activities	<u>13,758</u>	<u>(1,148)</u>
Net increase/(decrease) in cash and cash equivalents	9,490	(12,799)
Cash and cash equivalents at the beginning of period	16,387	18,990
Effect of foreign currency exchange rate changes	<u>(71)</u>	<u>(27)</u>
Cash and cash equivalents at the end of period	<u>25,806</u>	<u>6,164</u>
Analysis of cash and cash equivalents:		
Cash and bank balances	<u>25,806</u>	<u>6,164</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 December 2009 as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Group's principal place of business is located at No. 28 Xinfeng Road, Xinfeng Industrial Park, Fangqian Town, New District, Wuxi City, Jiangsu Province, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of nonwoven fabric products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required for annual financial statements of the Group for the year ended 31 December 2011 as contained in the Company's annual report 2011.

The unaudited condensed consolidated interim financial statements are denominated in Renminbi ("RMB"). Unless otherwise specifically stated, all amounts are presented in thousand.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2012, the accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2011. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated interim financial statements of the Group.

The Group has not yet applied new/revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new/revised HKFRSs would have a material impact on its results of operations.

3. REVENUE

The Group's revenue only represents sales of nonwoven fabric products.

4. OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	8	4	16	12
Compensation income	–	4	–	73
Exchange gain	–	16	–	20
Government grants	12	63	164	67
Sundry income	693	107	693	234
	<u>713</u>	<u>194</u>	<u>873</u>	<u>406</u>

5. SEGMENT INFORMATION

The Directors consider that the Group operates in a single operating segment as the revenue and profit are derived entirely from the sales of nonwoven fabric products in the PRC. In addition, all the Group's non-current assets are located in the PRC. Accordingly, no segmental analysis is presented.

6. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment	1,014	854	2,013	1,705
Directors' remuneration	280	690	652	1,250
Operating lease charges in respect of rented premises	125	357	265	715
Cost of inventories sold	25,564	18,178	47,184	39,354
Research and development	1,453	1,422	2,397	2,914
Staff costs including directors' remuneration				
Salaries and allowances	1,816	2,616	3,922	5,293
Retirement benefits scheme contributions	713	622	1,410	1,223
	<u>2,529</u>	<u>3,238</u>	<u>5,332</u>	<u>6,516</u>

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses on Group's borrowings				
Short-term bank loans	371	404	874	692
Finance lease charges	4	7	6	15
	<u>375</u>	<u>411</u>	<u>880</u>	<u>707</u>

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
Provision for PRC enterprise income tax ("EIT")	455	976	634	1,503
Deferred tax	<u>(22)</u>	<u>(72)</u>	<u>(45)</u>	<u>(72)</u>
	<u>433</u>	<u>904</u>	<u>589</u>	<u>1,431</u>

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Hong Kong Profits Tax is required since the Group has no estimated assessable profit for the six months ended 30 June 2012 and 2011.

PRC EIT is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiary of the Group with certain tax preference, based on existing legislation, interpretation and practice in respect thereof. Pursuant to the enterprise income tax rules and regulations of the PRC, the applicable PRC EIT rate of the Group's PRC subsidiary is 25%.

Pursuant to PRC Enterprise Income Tax Law, an innovative and high-end technology enterprise may enjoy a preferential enterprise income tax rate of 15% ("IHT Enterprise Rate"). On 22 December 2009, Joystar (Wuxi) Automotive Interior Decoration Co., Ltd. ("Joystar (Wuxi)") obtained the "Certificate of Innovative and High-end Technology Enterprise" with validity period of three years. The IHT Enterprise Rate enjoyed by Joystar (Wuxi) will be expired in December 2012. Therefore, the applicable income tax rate of Joystar (Wuxi) for the six months ended 30 June 2012 and 2011 is 15%.

9. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and six months ended 30 June 2012 are based on the unaudited condensed consolidated profit of approximately RMB2,989,000 and RMB3,423,000 attributable to the owners of the Company respectively (three months and six months ended 30 June 2011: RMB4,805,000 and RMB3,379,000 respectively) and the weighted average number of ordinary shares of 301,978,022 and 270,989,011 in issue during the three months and six months ended 30 June 2012 respectively (weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2011: 200,000,000), as adjusted to reflect the share issue on the Listing Date.

For the three months and six months ended 30 June 2012 and 2011, diluted earnings per share are the same as the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the three months and six months ended 30 June 2012 and 2011.

10. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

11. TRADE RECEIVABLES

The aging analysis of trade receivables, based on the invoice date, and net of allowance for doubtful debts, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
0 to 90 days	40,402	49,203
91 to 180 days	9,198	10,733
181 to 365 days	11,795	173
Over 365 days	—	—
	<u>64,395</u>	<u>60,109</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days (2011: ranging from 30 days to 120 days), depending on the creditworthiness of customers and the existing relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

The carrying amounts of the Group's trade receivables are denominated in Renminbi.

12. SHARE CAPITAL

	<i>Note</i>	Number of Shares	Amount HK\$'000	Amount RMB'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At 31 December 2011 and 30 June 2012		10,000,000,000	1,000,000	863,495
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 31 December 2011		240,000,000	24,000	20,552
Issue of shares by way of open offer	(a)	120,000,000	12,000	9,778
At 30 June 2012		360,000,000	36,000	30,330

Notes:

- (a) On 14 May 2012, the Company issued 120,000,000 shares of HK\$0.1 each at the price of HK\$0.1 each by way of open offer.

13. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice dates, is as follows:

	2012 (Unaudited) RMB'000	2011 (Audited) RMB'000
0 to 90 days	7,142	8,256
91 to 180 days	122	561
181 to 365 days	63	1,138
Over 365 days	251	419
	7,578	10,374

All trade payables are denominated in Renminbi.

14. BORROWINGS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Short-term bank loans, secured	<u>30,000</u>	<u>25,000</u>

The borrowings are repayable as follows:

On demand or within one year	<u>30,000</u>	<u>25,000</u>
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Short-term bank loans are arranged at floating rates and exposed the Group to cash flow interest rate risk.

Borrowings from unrelated parties are unsecured, interest-free and repayable on demand.

15. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Acquisition of prepaid land lease payments Contracted but not provided for	13,347	13,347
Property, plant and equipment Contracted but not provided for	<u>13,848</u>	<u>2,358</u>
	<u>27,195</u>	<u>15,705</u>

16. LEASE COMMITMENTS

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	550	484
In the second to fifth years inclusive	1,716	1,620
After five years	<u>101</u>	<u>304</u>
	<u>2,367</u>	<u>2,408</u>

Operating lease payments represent rentals payable by the Group for its warehouse, factory and office premises. Leases are negotiated for a range from 1 to 7 years (31 December 2011: 1 to 7 years) and rentals are fixed over the lease terms and do not include contingent rentals.

17. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group entered into the following material transaction with related parties during the reporting period:

(a) Transactions with related parties

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Salary received by a shareholder	—	48

(b) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors is as follows:

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Salaries and other short-term benefits	603	1194
Employer contribution to pension scheme	49	56
	<u>652</u>	<u>1,250</u>

- (c) Mr. Pak, a director and shareholder of the Company, and Ms. Zhu Xiuduan, a director of Joystar (Wuxi), entered into a personal guarantee agreement dated 29 September 2009 with Mercedes-Benz Auto Finance Limited to secure the Group's finance lease payables.

18. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts. The Group also accepts sales orders on trading of nonwoven fabric. The Group mainly manufactures its products with single layer or multiple layers of nonwoven fabric in accordance with specific requirements and standards of different customers. Most of the Group's customers are primary manufacturers and suppliers of automotive parts in the PRC. The majority of the Group's products are further processed by these customers in order to make different automotive parts such as floor, head lining, seat cover, parcel tray, trunk, luggage-side trim, hubcap and car-mat, which are of different characteristics and are to be applied for different usages in passenger vehicles.

According to the statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles were approximately 7,590,000 units and 7,610,000 units respectively during the first half in 2012, representing an increase of approximately 7.9% and 7.1%. These favorable growth in passenger vehicles market resulted a stable demand of automotive interior decoration materials of the Group during the period under review.

On 23 March 2012, the Group entered into a technical service agreement with Donghua University, pursuant to which the university will provide technical services to help the Group further upgrading its existing manufacturing technology and process and to assist the Group in the research and development of, among others, recyclable, biodegradable and functional nonwoven fabric products together with the corresponding processing technology. The Group expected this upgrading project will be completed during the first half of 2013.

Financial Review

The Group's revenue for the six months ended 30 June 2012 was illustrated as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Nonwoven fabric for use in:		
– automobiles	69,393	69,897
– others	2,109	–
	71,502	69,897

For the six months ended 30 June 2012, the Group's revenue increased to approximately RMB71.5 million compared to approximately RMB69.9 million in the corresponding period in 2011, representing an increase of approximately 2.3%. Such increase was mainly contributed by the sales orders on trading of nonwoven fabric.

The gross profit of the Group for the six months ended 30 June 2012 decreased to approximately RMB13.5 million compared to approximately RMB14.9 million for the corresponding period last year, representing a drop of approximately 8.7% as well as decrease in the gross profit margin for the six months from approximately 21.3% in the corresponding period last year to 18.8%. Such decrease was primarily attributable to increase in raw material prices during the second quarter of 2012. After the commitment of tight cost-controls, the selling and distribution costs and administrative expenses were decreased by approximately 3%.

As a result, the profit attributable to the owners of the Company for the six months ended 30 June 2012 remained stable at approximately RMB3.4 million.

Outlook

According to the statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles were approximately 8,785,000 units and 8,735,000 units respectively for the seven months ended 31 July 2012, representing an increase of approximately 8.5% and 7.5%. Under the increasing personal income in the PRC, the Group expected that the production and sales of passenger vehicles in the PRC will still record a steady growth in 2012.

To keep a steady pace of development, the Group will continuously deploy its resources on:

- (1) improving the production lines in order to expand the production capacity;
- (2) installing new machineries to suit the customers' varying requirements and demand on high-end products;
- (3) conducting research and development to keep up with the latest technological trends in relation to product specifications;
- (4) accelerating the launch of new products to capture extra market share and expand the market coverage in the PRC; and
- (5) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric industry in the PRC.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will look for potential investment opportunities to diversify its business scope.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors, at 30 June 2012, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Zhuang Yuejin	Beneficial owner	119,790,000	33.28%
Ruan Bixia*	Interest of spouse	119,790,000	33.28%
Pak Ping	Beneficial owner	14,910,000	4.14%

* *Ruan Bixia is the spouse of Zhuang Yuejin and is deemed to be interested in all shares held by Zhuang Yuejin under the SFO.*

Save as disclosed above, at 30 June 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS PERSONS' INTERESTS OR SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Save as disclosed under the paragraph “DIRECTORS’ AND CHIEF EXECUTIVES’ INTEREST IN SECURITIES, UNDERLYING SHARES AND DEBENTURES”, at 30 June 2012, the Directors of the Company were not aware of any persons other than Directors or chief executives of the Company who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO; or be recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2012.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2012, except for the compliance adviser’s agreement and the underwriting agreement entered into between the Company and Tanrich Capital Limited, the Company’s compliance adviser on 19 August 2011 and 23 March 2012 respectively; neither the Company’s compliance adviser nor its directors, employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as notified by the Company’s compliance adviser.

DIRECTOR’S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the directors of the Company, the controlling shareholder of the Company and their respective associates (as defined under GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 June 2012.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the six months ended 30 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Except for the deviations from the code provision A.2.1 and A.6.7 of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 to the GEM Listing Rules, the Company has complied with the Code for the six months ended 30 June 2012.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhuang Yuejin is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

Code provision A.6.7 stipulates that independent non-executive Directors should attend general meetings of the Company. Owing to overseas engagements, two independent non-executive Directors were unable to attend the annual general meeting of the Company held on 31 May 2012.

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Current assets	122,659	109,033
Current liabilities	43,598	42,556
Current ratio	<u>2.81</u>	<u>2.56</u>

The current ratio of the Group as at 30 June 2012 was 2.81 times as compared to that of 2.56 times as at 31 December 2011.

As at 30 June 2012, the Group's gearing ratio (represented by totals of borrowings and finance lease payable divided by summation of total bank borrowings and finance lease payable and equity) amounted to approximately 19.4% (31 December 2011: 18.3%).

As at 30 June 2012, cash and bank balances of the Group amounted to approximately RMB25.8 million (31 December 2011: RMB16.4 million), and approximately RMB14 million (31 December 2011: RMB6 million) of which are denominated in Hong Kong dollars, United States dollars and Euro.

The Group generally financed its operations by internal cash resources and bank financing. On 14 May 2012, 120,000,000 shares of the Company were issued and allotted by way of open offer. The net proceeds of the open offer was approximately RMB8.8 million and the Board intends to apply the proceeds for potential acquisition activities as identified by the Group from time to time and/or as the working capital of the Group.

In order to secure the supply of materials and to stabilize the price thereof in future, the Group placed trade deposits of approximately RMB7.6 million (31 December 2011: RMB6.9 million) with the suppliers by the end of 30 June 2012.

Taking into account the existing financial resources available to the Group, the Group's financial position is stable and healthy.

FOREIGN EXCHANGE EXPOSURE

Majority of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. As at 30 June 2012, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CAPITAL STRUCTURE

Except the Company issued 120,000,000 shares of HK\$0.1 on 14 May 2012, there has been no material change in the capital structure of the Group since 31 December 2011.

SIGNIFICANT INVESTMENTS

As at 30 June 2012, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

For the six months ended 30 June 2012, there were no material acquisitions or disposal of subsidiaries and affiliated companies by the Group.

PLEDGE ON ASSETS

As at 30 June 2012, the Group secured its bank borrowings by buildings with a carrying amounts of approximately RMB7.6 million and prepaid land lease payments with a carrying amounts of approximately RMB3.0 million. The carrying amounts of motor vehicles held by the Group under finance lease amounted to approximately RMB0.7 million.

An approximately RMB7.4 million of trade receivables were pledged to a bank to secure short-term bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed a total of 188 employees. The remuneration policy of the employees of the Group is set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

A remuneration committee was set up for, inter alia, reviewing the Group's remuneration policy and structure for all directors and senior management of the Group.

NOMINATION COMMITTEE

The Company established a nomination committee on 13 September 2010 with written terms of reference in compliance with the Code. The nomination committee comprises one executive Director, namely Mr. Zhuang Yuejin, and two independent non-executive Directors, namely Mr. Mak Wai Ho and Mr. Feng Xueben. Mr. Zhuang Yuejin has been appointed as the chairman of the nomination committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 13 September 2010 with written terms of reference in compliance with the Code. The remuneration committee comprises one executive Director, namely, Mr. Zhuang Yuejin and two independent non-executive Directors, namely Mr. Mak Wai Ho and Dr. Tang Yanfei. Mr. Mak Wai Ho has been appointed as the chairman of the remuneration committee.

AUDIT COMMITTEE

The Company has established the audit committee on 13 September 2010 with written terms of reference in compliance with the GEM Listing Rules, which comprises three members namely Mr. Mak Wai Ho, Dr. Tang Yanfei and Mr. Feng Xueben, all of whom are independent non-executive Directors. Mr. Mak Wai Ho has been appointed as the chairman of the audit committee. The Group's unaudited condensed consolidated results for the three months and six months ended 30 June 2012 have not been audited by the Company's auditors, but have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

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

Hong Kong, 14 August 2012

As at the date of this announcement, the executive Directors are Mr. Zhuang Yuejin, Mr. Pak Ping, Ms. Ruan Bixia and Mr. Wong Ho Yin; and the independent non-executive Directors are Mr. Mak Wai Ho, Dr. Tang Yanfei and Mr. Feng Xueben.

This announcement will remain on the "Latest Company Announcement" page of the GEM website <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company's website at <http://www.joystar.com.hk>