



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
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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.

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2013 together with the comparable unaudited figures for the corresponding periods in 2012.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2013

		Three months ended	
		31 March	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	3	41,571	33,699
Cost of sales		<u>(34,681)</u>	<u>(28,078)</u>
Gross profit		6,890	5,621
Other income	4	3,193	160
Selling and distribution costs		(1,831)	(2,113)
Administrative expenses		<u>(4,675)</u>	<u>(2,573)</u>
Profit from operations	5	3,577	1,095
Finance costs	6	<u>(452)</u>	<u>(505)</u>
Profit before tax		3,125	590
Income tax expense	7	<u>(843)</u>	<u>(156)</u>
Profit for the period attributable to the owners of the Company		<u>2,282</u>	<u>434</u>
		RMB	RMB
Earnings per share	8		
— Basic		<u>0.21 cents</u>	<u>0.18 cents</u>
— Diluted		<u>0.21 cents</u>	<u>0.18 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

	Three months ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	2,282	434
Other comprehensive loss, net of income tax:		
Exchange differences on translating foreign operations	<u>(542)</u>	<u>(33)</u>
Total comprehensive income for the period attributable to the owners of the Company	<u>1,740</u>	<u>401</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013

	Share capital (Unaudited) RMB'000	Share premium (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 2012	20,552	22,694	5,992	2,657	7,681	52,998	112,574
Profit for the period	—	—	—	—	—	434	434
Other comprehensive loss for the period, net of income tax:							
Exchange differences on translating foreign operations	—	—	—	(33)	—	—	(33)
Total comprehensive (loss)/income for the period	—	—	—	(33)	—	434	401
At 31 March 2012	<u>20,552</u>	<u>22,694</u>	<u>5,992</u>	<u>2,624</u>	<u>7,681</u>	<u>53,432</u>	<u>112,975</u>
At 1 January 2013	89,086	18,867	5,992	2,572	8,427	63,050	187,994
Profit for the period	—	—	—	—	—	2,282	2,282
Other comprehensive loss for the period, net of income tax:							
Exchange differences on translating foreign operations	—	—	—	(542)	—	—	(542)
Total comprehensive (loss)/income for the period	—	—	—	(542)	—	2,282	1,740
At 31 March 2013	<u>89,086</u>	<u>18,867</u>	<u>5,992</u>	<u>2,030</u>	<u>8,427</u>	<u>65,332</u>	<u>189,734</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 December 2009 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 used in automotive interior decoration parts and trading of rubber.

The unaudited condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong, in addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except certain financial instruments are stated at their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements of the Group for the year ended 31 December 2012 as contained in the Company's annual report 2012.

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 2013, the accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2013 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2012. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated 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 is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and trading of rubber.

The Group's revenue for the three months ended 31 March 2013 and 2012 represents sales of nonwoven fabric products used in automotive interior decoration parts.

4. OTHER INCOME

	Three months ended 31 March	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Bank interest income	5	8
Realised gain on held-for-trading investments	22	—
Unrealised gain on held-for-trading investments	3,088	—
Sundry income	78	152
	<u>3,193</u>	<u>160</u>

5. PROFIT FROM OPERATIONS

The Group's profit from operations is stated after charging the following:

	Three months ended 31 March	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Amortisation of prepaid land lease payments	15	5
Depreciation of property, plant and equipment	1,303	999
Staff costs (including directors' remuneration):		
— Salaries and other benefits	2,042	2,106
— Retirement benefits scheme contributions	657	697
	<u>2,699</u>	<u>2,803</u>

6. FINANCE COSTS

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expenses on the bank borrowings wholly repayable within five years	452	503
Finance lease charges	—	2
	<u>452</u>	<u>505</u>

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Hong Kong	491	—
Provision for PRC enterprise income tax (“EIT”)	397	179
	888	179
Deferred tax	(45)	(23)
	<u>843</u>	<u>156</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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2013. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the three months ended 31 March 2012.

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. Joystar Wuxi has obtained the Certificate of Innovative and High-end Technology Enterprise in November 2012 and Joystar Wuxi also was in progress to apply the IHT Enterprise Rate. Consequently, the applicable income tax rate of Joystar Wuxi for the three months ended 31 March 2013 is 15% (three months ended 31 March 2012: 15%).

8. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months ended 31 March 2013 are based on the unaudited condensed consolidated profit attributable to the owners of the Company of approximately RMB2,282,000 (three months ended 31 March 2012: RMB434,000) and the weighted average number of ordinary shares of 1,080,000,000 in issue during the three months ended 31 March 2013 (three months ended 31 March 2012: 240,000,000).

For the three months ended 31 March 2013 and 2012, 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 ended 31 March 2013 and 2012.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

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 and trading of rubber.

Manufacture and sale of nonwoven fabric products

The Group 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.

In order to further expand the Group's market influence in the nonwoven products used in automobiles in the PRC, on 11 March 2013, the Group entered into a joint venture agreement with a machinery manufacturer, pursuant to which a joint venture company was established to engage in the production and sale of environmental-friendly interior decoration materials and filtering materials for using in automobiles in the PRC.

Supply and procurement operation

Rubber related products have been broadly used for automotive parts, such as tires and seal circle. On 26 March 2013, the Group entered into a sale and purchase agreement pursuant to which the Group acquired the entire business of trading of synthetic rubber at a consideration of HK\$28 million (the “Acquisition”) for the purpose of strengthening the future income stream of the Group’s business of rubber trading. The Acquisition has not yet been completed as at the date of this announcement.

Financial Review

The Group’s revenue for the three months ended 31 March 2013 was illustrated as follows:

	Three months ended	
	31 March	
	2013	2012
	<i>RMB’000</i>	<i>RMB’000</i>
Nonwoven fabric for use in automobiles		
Sale of automotive floor carpets	25,325	19,715
Sale of other automotive parts	16,246	13,984
	41,571	33,699

For the three months ended 31 March 2013, the Group’s revenue increased to approximately RMB41.6 million compared to approximately RMB33.7 million in the corresponding period in 2012, representing an increase of approximately 23.4%. As the Group’s customers of nonwoven fabric products mostly supplied their products to Korean brand automotive manufacturers, the continuous growth in sales of Korean brand passenger vehicles in the PRC contributed a steady growth of business of the Group. The Group commenced trading of rubber since last quarter of 2012. Although no revenue was generated from trading of rubber for the three months ended 31 March 2013, the Group have already accepted sales order from customers and the Group expects the respective revenue would be recognized during the second quarter of 2013.

The gross profit of the Group increased by approximately RMB1.3 million or 22.6% from approximately RMB5.6 million for the corresponding period last year to approximately RMB6.9 million for the three months ended 31 March 2013. The increase was mainly attributable to the increase in revenue.

The Group’s other income increased by approximately RMB3 million from approximately RMB0.2 million for the three months ended 31 March 2012 to approximately RMB3.2 million for the three months ended 31 March 2013. The substantial increase was mainly due to an unrealized gain on held-for-trading investments during the period under review.

The selling and distribution costs decreased by approximately RMB0.3 million from approximately RMB2.1 million for the corresponding period last year to RMB1.8 million for the three months ended 31 March 2013. The decrease was mainly due to the decrease in transportation cost. The administrative expenses increased by approximately RMB2.1 million from approximately RMB2.6 million for the corresponding period last year to approximately RMB4.7 million for the three months ended 31 March 2013. The increase was principally attributable to the increase in the Group's professional fee in relation to the application of transfer of listing of the Company.

As a result, the profit attributable to the owners of the Company for the three months ended 31 March 2013 was approximately RMB2.3 million (for the three months ended 31 March 2012: approximately RMB0.4 million).

OUTLOOK

According to the statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles were approximately 5,881,000 units and 5,864,000 units respectively for the four months ended 30 April 2013, representing an increase of approximately 15.9% and 16.2%. Under the increasing personal income in the PRC, the Group expected that the production and sales of passenger vehicles in the PRC will record a steady growth in 2013. As the Group's nonwoven fabric products are ultimately used in the passenger vehicles, the Board expects the prospect of the Group is still promising. To keep a steady pace of development, the Group will continuously deploy its resources on:

- (1) upgrading the production lines in order to improve the production efficiency;
- (2) installing new machineries to suit the customers' varying requirements and demands 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.

Regarding the business of rubber trading, the Group considered that supported by robust economic growth, the PRC's market is still a major driver for rubber trading of the Group. Trading of rubber will yield stable return with a lower risk level. After the acquisition of business of rubber trading on 26 March 2013, the Board expects the future income stream of trading of rubber will be strengthened and secured.

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 SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors, at 31 March 2013, 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 and underlying shares of the Company

Name	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Zhuang Yuejin	Beneficial owner	359,370,000	33.28%
Ms. Ruan Bixia*	Interest of spouse	359,370,000	33.28%
Mr. Pak Ping	Beneficial owner	14,910,000	1.38%

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

Save as disclosed above, at 31 March 2013, 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 OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

At 31 March 2013, so far as known to the Directors, the persons (other than the 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 fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register maintained by the Company, pursuant to Section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Avant Capital Management (HK) Limited	Beneficial owner	107,443,000	9.95%

Save as disclosed above and under the paragraph "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES", at 31 March 2013, the Directors of the Company were not aware of any persons 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, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2013.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder 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 three months ended 31 March 2013.

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 three months ended 31 March 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Except for the deviation from the code provision A.2.1 as set out in the Corporate Governance Code (“Code”) in Appendix 15 to the GEM Listing Rules, the Company has complied with the Code for the three months ended 31 March 2013.

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.

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 ended 31 March 2013 have not been audited, 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 May 2013

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>.