



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 2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2013 together with the comparative unaudited figures for the corresponding periods in 2012.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2013

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Revenue | 3 | 136,096 | 37,803 | 177,667 | 71,502 |
| Cost of sales | | <u>(126,059)</u> | <u>(29,935)</u> | <u>(160,740)</u> | <u>(58,013)</u> |
| Gross profit | | 10,037 | 7,868 | 16,927 | 13,489 |
| Other income/(loss) | 4 | (680) | 713 | 2,513 | 873 |
| Selling and distribution costs | | (1,880) | (1,277) | (3,711) | (3,390) |
| Share of result of associate | | (365) | — | (365) | — |
| Administrative expenses | | <u>(5,878)</u> | <u>(3,507)</u> | <u>(10,553)</u> | <u>(6,080)</u> |
| Profit from operations | 6 | 1,234 | 3,797 | 4,811 | 4,892 |
| Finance costs | 7 | <u>(730)</u> | <u>(375)</u> | <u>(1,182)</u> | <u>(880)</u> |
| Profit before tax | | 504 | 3,422 | 3,629 | 4,012 |
| Income tax expense | 8 | <u>(30)</u> | <u>(433)</u> | <u>(873)</u> | <u>(589)</u> |
| Profit for the period attributable to the owners of the Company | | <u>474</u> | <u>2,989</u> | <u>2,756</u> | <u>3,423</u> |
| | | RMB | RMB | RMB | RMB |
| Earnings per share | 9 | | | | |
| Basic | | <u>0.04 cents</u> | <u>1.0 cents</u> | <u>0.25 cents</u> | <u>1.3 cents</u> |
| Diluted | | <u>0.04 cents</u> | <u>1.0 cents</u> | <u>0.25 cents</u> | <u>1.3 cents</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2013

| | Three months ended | | Six months ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30 June | | 30 June | |
| | 2013 | 2012 | 2013 | 2012 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Profit for the period | 474 | 2,989 | 2,756 | 3,423 |
| Other comprehensive loss, net of income tax: | | | | |
| Exchange differences on translating foreign operations | <u>(1,196)</u> | <u>(38)</u> | <u>(1,738)</u> | <u>(71)</u> |
| Total comprehensive (loss)/income for the period attributable to the owners of the Company | <u>(722)</u> | <u>2,951</u> | <u>1,018</u> | <u>3,352</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

| | | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|-------------|---|---|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 41,949 | 40,146 |
| Prepaid land lease payments | | 2,888 | 2,917 |
| Deferred tax assets | | 1,127 | 1,036 |
| Investment in associated company | | 5,901 | — |
| Goodwill | | 51,099 | — |
| | | <u>102,964</u> | <u>44,099</u> |
| Current assets | | | |
| Prepaid land lease payments | | 73 | 73 |
| Inventories | | 23,915 | 15,555 |
| Trade receivables | 12 | 69,832 | 64,678 |
| Notes receivables | | 5,220 | 8,730 |
| Prepayments, deposits and other receivables | | 68,311 | 21,184 |
| Held-for-trading investments | | 6,107 | 4,405 |
| Cash and bank balances | | 38,061 | 82,132 |
| | | <u>211,519</u> | <u>196,757</u> |
| Total assets | | <u>314,483</u> | <u>240,856</u> |
| EQUITY | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital | 13 | 94,884 | 89,086 |
| Reserves | | 105,136 | 98,908 |
| Total equity | | <u>200,020</u> | <u>187,994</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 14 | 21,212 | 17,410 |
| Accruals, other payables and deposits received | | 46,438 | 5,397 |
| Borrowings | 15 | 30,639 | 29,500 |
| Promissory note | 16 | 15,226 | — |
| Tax payable | | 948 | 555 |
| | | <u>114,463</u> | <u>52,862</u> |
| Total equity and liabilities | | <u>314,483</u> | <u>240,856</u> |
| Net current assets | | <u>97,056</u> | <u>143,895</u> |
| Total assets less current liabilities | | <u>200,020</u> | <u>187,994</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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 | — | — | — | — | — | 3,423 | 3,423 |
| Other comprehensive loss for the period, net of income tax: | | | | | | | |
| Exchange differences on translating foreign operations | — | — | — | (71) | — | — | (71) |
| Total comprehensive (loss)/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> |
| At 1 January 2013 | 89,086 | 18,867 | 5,992 | 2,572 | 8,427 | 63,050 | 187,994 |
| Profit for the period | — | — | — | — | — | 2,756 | 2,756 |
| Other comprehensive loss for the period, net of income tax: | | | | | | | |
| Exchange differences on translating foreign operations | — | — | — | (1,738) | — | — | (1,738) |
| Total comprehensive (loss)/income for the period | — | — | — | (1,738) | — | 2,756 | 1,018 |
| Issue of shares | 5,798 | 5,210 | — | — | — | — | 11,008 |
| At 30 June 2013 | <u>94,884</u> | <u>24,077</u> | <u>5,992</u> | <u>834</u> | <u>8,427</u> | <u>65,806</u> | <u>200,020</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Net cash used in operating activities | (6,192) | (2,637) |
| Net cash used in investing activities | (36,174) | (1,631) |
| Net cash generated (used in)/from financing activities | <u>(28)</u> | <u>13,758</u> |
| Net (decrease)/increase in cash and cash equivalents | (42,394) | 9,490 |
| Cash and cash equivalents at the beginning of period | 82,132 | 16,387 |
| Effect of foreign currency exchange rate changes | <u>(1,677)</u> | <u>(71)</u> |
| Cash and cash equivalents at the end of period | <u>38,061</u> | <u>25,806</u> |
| Analysis of the balances of cash and cash equivalents: | | |
| Cash and bank balances | <u>38,061</u> | <u>25,806</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 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, trading of rubber, garment accessories and food products.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2013 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 six months ended 30 June 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 six months ended 30 June 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, trading of rubber, garment accessories and food products.

| | Three months ended | | Six months ended | |
|--|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2013 | 2012 | 2013 | 2012 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Nonwoven fabric for use in automobiles | 44,702 | 37,803 | 86,273 | 71,502 |
| Sales of rubber | 87,864 | — | 87,864 | — |
| Sales of garment accessories | 2,462 | — | 2,462 | — |
| Sales of food products | 1,068 | — | 1,068 | — |
| | <u>136,096</u> | <u>37,803</u> | <u>177,667</u> | <u>71,502</u> |

4. OTHER INCOME/(LOSS)

| | Three months ended | | Six months ended | |
|--|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2013 | 2012 | 2013 | 2012 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Bank interest income | 7 | 8 | 12 | 16 |
| Government grants | — | 12 | — | 164 |
| Realised gain on held-for-trading investments | — | — | 22 | — |
| Unrealised gain/(loss) on held-for-trading investments | (719) | — | 2,369 | — |
| Sundry income | 32 | 693 | 110 | 693 |
| | <u>(680)</u> | <u>713</u> | <u>2,513</u> | <u>873</u> |

5. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. During the six months ended 30 June 2012, the executive directors have identified the Group's operating is regarded as a single business segment, which is the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts. During the six months ended 30 June 2013, the Group has entered into a new operating segment "supply and procurement operation".

The Group's operating and reportable segments are as follows:

- (i) the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts; and
- (ii) the supply and procurement operation segment including trading of rubber, garment accessories and food products.

Segment revenue and results

| | Supply and procurement operation | | Manufacture and sale of nonwoven fabric products | | Total | |
|--------------------------------|---|--------------------------------|---|--------------------------------|---|--------------------------------|
| | Six months ended | | Six months ended | | Six months ended | |
| | 30 June 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | 30 June 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | 30 June 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Segment revenue: | | | | | | |
| Sales to external customers | <u>91,394</u> | <u>—</u> | <u>86,273</u> | <u>71,502</u> | <u>177,667</u> | <u>71,502</u> |
| Segment results | <u>1,408</u> | <u>(3)</u> | <u>3,944</u> | <u>6,256</u> | <u>5,352</u> | <u>6,253</u> |
| Unallocated corporate income | | | | | <u>2,391</u> | <u>—</u> |
| Unallocated corporate expenses | | | | | <u>(2,932)</u> | <u>(1,361)</u> |
| Finance costs | | | | | <u>4,811</u> | <u>4,892</u> |
| | | | | | <u>(1,182)</u> | <u>(880)</u> |
| Profit before tax | | | | | <u>3,629</u> | <u>4,012</u> |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2013 and 2012.

Segment assets and liabilities

| | Supply and procurement operation | | Manufacture and sale of nonwoven fabric products | | Total | |
|-----------------------------------|-------------------------------------|------------------------------|---|------------------------------|--------------------------------|------------------------------|
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December |
| | 2013 (Unaudited) RMB'000 | 2012 (Audited) RMB'000 | 2013 (Unaudited) RMB'000 | 2012 (Audited) RMB'000 | 2013 (Unaudited) RMB'000 | 2012 (Audited) RMB'000 |
| ASSETS | | | | | | |
| Segment assets | <u>132,203</u> | <u>8,157</u> | <u>170,172</u> | <u>170,414</u> | <u>302,375</u> | <u>178,571</u> |
| Unallocated corporate assets | | | | | <u>12,108</u> | <u>62,285</u> |
| Total assets | | | | | <u>314,483</u> | <u>240,856</u> |
| LIABILITIES | | | | | | |
| Segment liabilities | <u>45,489</u> | <u>—</u> | <u>53,364</u> | <u>52,308</u> | <u>48,853</u> | <u>52,308</u> |
| Unallocated corporate liabilities | | | | | <u>15,610</u> | <u>554</u> |
| Total liabilities | | | | | <u>114,463</u> | <u>52,862</u> |

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segment other than held-for-trading investments and corporate financial assets including cash and bank balances.
- all liabilities are allocated to reportable segments other than corporate financial liabilities including promissory note, accruals and other payables.

6. PROFIT FROM OPERATIONS

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

| | Three months ended 30 June | | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Depreciation of property, plant and equipment | 1,001 | 1,014 | 2,304 | 2,013 |
| Directors' remuneration | 292 | 280 | 566 | 652 |
| Operating lease rentals in respect of rented premises | 52 | 125 | 102 | 265 |
| Cost of inventories recognised as cost of sales | 120,707 | 25,564 | 145,902 | 47,184 |
| Research and development expenditure | 1,786 | 1,453 | 3,672 | 2,397 |
| Staff costs (including directors' remuneration) | | | | |
| — Salaries and other benefits | 1,990 | 1,816 | 4,032 | 3,922 |
| — Retirement benefits scheme contributions | 520 | 713 | 1,177 | 1,410 |
| | <u>2,510</u> | <u>2,529</u> | <u>5,209</u> | <u>5,332</u> |

7. FINANCE COSTS

| | Three months ended 30 June | | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2012 (Unaudited) RMB'000 |
| Interest expenses on the bank's borrowings wholly repayable within five years | 629 | 371 | 1,081 | 874 |
| Interest expenses on promissory note | 101 | — | 101 | — |
| Finance lease charges | — | 4 | — | 6 |
| | <u>730</u> | <u>375</u> | <u>1,182</u> | <u>880</u> |

8. INCOME TAX EXPENSE

| | Three months ended | | Six months ended | |
|-----------------------------------|--------------------|----------------|-------------------|----------------|
| | 30 June | | 30 June | |
| | 2013 | 2012 | 2013 | 2012 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax | | | | |
| Hong Kong | (189) | — | 302 | — |
| PRC enterprise income tax (“EIT”) | 265 | 455 | 662 | 634 |
| | <u>76</u> | <u>455</u> | <u>964</u> | <u>634</u> |
| Deferred tax | (46) | (22) | (91) | (45) |
| | 30 | 433 | 873 | 589 |
| | <u>30</u> | <u>433</u> | <u>873</u> | <u>589</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 six months ended 30 June 2013. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the six months ended 30 June 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 was expired in December 2012. Joystar Wuxi obtained the “Certificate of Innovative and High-end Technology Enterprise” in November 2012 and Joystar Wuxi also enjoyed the IHT Enterprise Rate. Consequently, the applicable income tax rate of Joystar Wuxi for the six months ended 30 June 2013 is 15% (six months ended 30 June 2012: 15%).

9. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and six months ended 30 June 2013 are based on the unaudited condensed consolidated profit of approximately RMB474,000 and RMB2,756,000 attributable to the owners of the Company respectively (three months and six months ended 30 June 2012: RMB2,989,000 and RMB3,423,000 respectively) and the weighted average number of ordinary shares of 1,106,901,099 and 1,093,524,862 in issue during the three months and six months ended 30 June 2013 respectively (weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2012: 301,978,022 and 270,989,011 respectively), as adjusted to reflect the share issue on the listing date.

For the three months and six months ended 30 June 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 and six months ended 30 June 2013 and 2012.

10. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

11. ACQUISITION OF SUBSIDIARIES

- (1) On 26 March 2013, the Company entered into an agreement with independent third parties to acquire 100% of the entire issued share capital of Sinogate Energy Limited (“Sinogate Energy”) and its subsidiaries (the “Sinogate Energy Group”) and identifiable asset and liabilities of Sinogate Energy Group, for a total contracted consideration of HK\$28,000,000 (equivalent to approximately RMB22,341,000). The aggregate amount of goodwill arising as a result of the acquisition is approximately RMB21,847,000. The acquisition was completed on 21 May 2013.

| | Acquiree’s carrying amount before combined and fair value (Unaudited) RMB’000 |
|--|--|
| Net assets acquired | |
| Property, plant and equipment | 4 |
| Inventories | 5,785 |
| Prepayments, deposits and other receivables | 16,662 |
| Cash and bank balances | 1,127 |
| Trade payables | (12,331) |
| Accrual, other payables and deposits received | (10,753) |
| | <u>494</u> |
| Goodwill | <u>21,847</u> |
| | <u><u>22,341</u></u> |
| Total consideration at fair value satisfied by: | |
| Cash and bank balances | <u><u>22,341</u></u> |
| Net cash outflow arising on acquisition: | |
| Cash paid for acquisition | 22,341 |
| Cash and bank balances acquired | (1,127) |
| | <u><u>21,214</u></u> |

Sinogate Energy Group was acquired so as to continue the expansion of the Group’s rubber trading business.

Goodwill arose in the acquisition of Sinogate Energy Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Sinogate Energy Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the six months ended 30 June 2013, is approximately RMB819,000 and revenue for the six months ended 30 June 2013 is approximately RMB79,412,000 attributable to the additional business generated by Sinogate Energy Group.

- (2) On 15 May 2013, the Company entered into an agreement with independent third parties to acquire 100% of the entire issued share capital of Brilliant Summit Limited (“Brilliant Summit”) and its subsidiaries (the “Brilliant Summit Group”) and identifiable asset and liabilities of Brilliant Summit Group, for a total contracted consideration of HK\$42,000,000 (equivalent to approximately RMB32,150,000). The aggregate amount of goodwill arising as a result of the acquisition is approximately RMB29,252,000. The acquisition was completed on 27 May 2013.

| | Acquiree’s carrying amount before combined and fair value (Unaudited) RMB’000 |
|--|--|
| Net assets acquired | |
| Trade receivables | 7,559 |
| Prepayments, deposits and other receivables | 856 |
| Cash and bank balances | 755 |
| Borrowings | (1,167) |
| Trade payables | (4,668) |
| Accruals and other payables | (27) |
| Tax payables | (410) |
| | <hr/> |
| | 2,898 |
| Goodwill | 29,252 |
| | <hr/> |
| | 32,150 |
| | <hr/> <hr/> |
| Total consideration at fair value satisfied by: | |
| Cash and bank balances | 6,064 |
| Consideration shares | 10,915 |
| Promissory note | 15,171 |
| | <hr/> |
| | 32,150 |
| | <hr/> <hr/> |
| Net cash outflow arising on acquisition: | |
| Cash paid for acquisition | 6,064 |
| Cash and bank balances acquired | (755) |
| | <hr/> |
| | 5,309 |
| | <hr/> <hr/> |

Brilliant Summit Group was acquired so as to diversity its existing business in order to reduce business risk.

Goodwill arose in the acquisition of Brilliant Summit Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Brilliant Summit Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the six months ended 30 June 2013 is approximately RMB78,000 and revenue for the six months ended 30 June 2013 is approximately RMB2,462,000 attributable to the additional business generated by Brilliant Summit Group.

12. 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 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|-----------------|---|---|
| 0 to 90 days | 54,255 | 53,581 |
| 91 to 180 days | 15,101 | 7,327 |
| 181 to 365 days | 19 | 3,770 |
| Over 365 days | 457 | — |
| | <u>69,832</u> | <u>64,678</u> |

At 30 June 2013, the trade receivables of the Group increased from the corresponding balances as compared to that of at 31 December 2012. Such increase was mainly due to the acquisition of the business of trading of garment accessories by the Group during the six months ended 30 June 2013.

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 days to 120 days (2012: ranging from 30 days to 120 days), depending on the creditworthiness of customers and their 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.

13. SHARE CAPITAL

| | <i>Note</i> | Number of Shares | Amount HK\$'000 | Amount RMB'000 |
|---|-------------|-----------------------------|----------------------------|---------------------------|
| Authorised: | | | | |
| Ordinary shares of HK\$0.1 each | | | | |
| At 1 January 2012, 30 June 2012, 31 December 2012 and 30 June 2013 | | 10,000,000,000 | 1,000,000 | 863,495 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.1 each | | | | |
| At 1 January 2012 | | 240,000,000 | 2,400 | 20,552 |
| Issue of shares by way of open offer | <i>(a)</i> | 120,000,000 | 1,200 | 9,778 |
| At 30 June 2012 | | 360,000,000 | 3,600 | 30,330 |
| Issue of shares by way of open offer | <i>(b)</i> | 720,000,000 | 7,200 | 58,756 |
| At 31 December 2012 | | 1,080,000,000 | 10,800 | 89,086 |
| Consideration shares | <i>(c)</i> | 72,000,000 | 720 | 5,798 |
| At 30 June 2013 | | 1,152,000,000 | 11,520 | 94,884 |

Notes:

- (a) On 14 May 2012, the Company raised 120,000,000 offer shares of HK\$0.1 each by way of open offer on the basis of one offer share for every two existing shares held on the record date.
- (b) On 12 September 2012, the Company raised 720,000,000 offer shares of HK\$0.1 each by way of open offer on the basis of two offer shares for every one existing share held on the record date.
- (c) On 27 May 2013, the Company issued 72,000,000 consideration shares of HK\$0.1 each for the acquisition of the business of trading of garment accessories.

14. TRADE PAYABLES

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|-----------------|---|---|
| 0 to 90 days | 18,842 | 13,881 |
| 91 to 180 days | 36 | 1,677 |
| 181 to 365 days | 1,489 | 1,604 |
| Over 365 days | 845 | 248 |
| | 21,212 | 17,410 |

15. BORROWINGS

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---|---|---|
| Short-term bank loans, secured | 30,639 | 29,500 |
| The borrowings are repayable as follows: | | |
| Carrying amount repayable: | | |
| On demand or within one year | 30,639 | 25,000 |
| <i>Less: Amount shown under current liabilities</i> | (30,639) | (25,000) |
| Amount due after one year | — | — |

Short-term bank loans are arranged at floating rates and exposed the Group to cash flow interest rate risk.

16. PROMISSORY NOTE

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|------------------------|---|---|
| Promissory note issued | 15,171 | — |
| Interest expenses | 101 | — |
| Interest payable | (46) | — |
| | 15,226 | — |

On 27 May 2013, Link Excellent Limited (“Link Excellent”), a wholly-owned subsidiary of the Company, issued an unsecured promissory note with principal value of HK\$20,000,000 as a partial consideration for the acquisition of the business of trading of garment accessories. The promissory note bears interest at 3% per annum and is payable on 27 May 2014, being the date which is 12 months after the date of the issue of the notes. The fair values of the promissory note at the date of issue were approximately RMB15,171,000.

The promissory note is subsequently measured at amortised cost, using effective interest rate of 8.4%.

17. OPERATING LEASE COMMITMENT

At 30 June 2013, the Group had commitments for the future minimum lease payments under non-cancellable operating leases within fall due as follows:

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|--|---|---|
| Within one year | 498 | 549 |
| In the second to fifth years inclusive | <u>1,215</u> | <u>1,543</u> |
| | <u>1,713</u> | <u>2,092</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 2012: 1 to 7 years) and rentals are fixed over the lease terms and do not include contingent rentals. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

18. CAPITAL COMMITMENT

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

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (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>1,450</u> | <u>2,750</u> |
| | <u>14,797</u> | <u>16,097</u> |

19. MATERIAL RELATED PARTY TRANSACTIONS

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

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 | |
|---|--------------------------|-------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Salaries and other short-term benefits | 555 | 603 |
| Employer contribution to pension scheme | 11 | 49 |
| | <u>566</u> | <u>652</u> |

20. 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, trading of rubber, garment accessories and food products.

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.

According to the statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles in the PRC were approximately 8,664,000 units and 8,665,000 units respectively for the six months ended 30 June 2013, representing an increase of approximately 14.0% and 13.8%. These favorable growth in passenger vehicles market resulted in a stable demand for automotive interior decoration materials of the Group during the period under review.

Supply and procurement operation

Rubber related products have been broadly used for automotive parts, such as tires and seal strip. Since the last quarter of 2012, the Group commenced the business of sales of rubber. For the purpose of strengthening the future income stream of the Group's business of sales of rubber, on 26 March 2013, the Group entered into a sale and purchase agreement pursuant to which the Group acquired the business of trading of synthetic rubber. Such acquisition completed during the second quarter of 2013 and expanded the business of sales of rubber for the six months ended 30 June 2013.

Operationally, the Group received deposits from rubber customers and also paid deposits to the suppliers in order to stabilize the price of this commodity and delivered subsequently in accordance with the contacts. Therefore, it caused an increase in deposits received from customers and deposits paid to suppliers at 30 June 2013.

Diversification of new business

It is the Group's objective to pursue its existing business and at the same time, to actively seek opportunities to diversity its existing business in order to reduce business risk. During the second quarter of 2013, the Group has diversified into the business of trading of food products and on the other hand, acquired the business of trading of garment accessories.

Financial Review

The Group's revenue for the six months ended 30 June 2013 was illustrated as follows:

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Nonwoven fabric for use in automobiles | 86,273 | 71,502 |
| Sales of rubber | 87,864 | — |
| Sales of garment accessories | 2,462 | — |
| Sales of food products | 1,068 | — |
| | <u>177,667</u> | <u>71,502</u> |

For the six months ended 30 June 2013, the Group's revenue increased to approximately RMB177.7 million, compared to approximately RMB71.5 million in the corresponding period in 2012, representing an increase of approximately 148.5%. The increase in the Group's revenue was mainly attributable to the increase in demand of the Group's nonwoven products under the stable growth of production and sales of passenger vehicles in the PRC and the expansion of business of sales of rubber after the acquisition of business on 26 March 2013 and the new contribution from the businesses of trading of garment accessories and food products.

The gross profit of the Group increased by approximately RMB3.4 million from approximately RMB13.5 million in the corresponding period in 2012 to approximately RMB16.9 million. The increase was mainly attributable to the business of trading of rubber. The gross profit margin of business of trading is generally lower than the business of manufacturing. During the period under review, the gross profit margin of manufacture and sale of nonwoven fabric products decreased slightly to 17.6% and the gross profit margin of trading of rubber was approximately 1.4%. Therefore the gross profit margin of the Group for the six months ended 30 June 2013 decreased to 9.6%.

The Group's other income increased by approximately RMB1.6 million from approximately RMB0.9 million for the six months ended 30 June 2013 to approximately RMB2.5 million. The increase was mainly due to an unrealized gain on held-for-trading investments during the six months ended 30 June 2013.

As the expansion of business of the Group, the selling and distribution costs increased by approximately RMB0.3 million from approximately RMB3.3 million for the corresponding period in 2012 to RMB3.7 million for the six months ended 30 June 2013. The administrative expenses increased by approximately RMB4.5 million from approximately RMB6.1 million for the corresponding period in 2012 to approximately RMB10.6 million for the six months ended 30 June 2013. The increase was principally attributable to the expansion of business of the Group and the increase in the Group's professional fee in relation to the application of transfer of listing of the Company and the compliance of the Group's corporate governance issue.

On 17 October 2012, the Group entered into a joint venture agreement with a sizeable Korean company to setup a joint venture company for the purposes of production and sale of polyester fibers used in automobiles in the PRC. During the six months ended 30 June 2013, the share of result of associate of approximately RMB0.3 million was the preliminary expenses incurred for the establishment of the joint venture company. The Group expected the joint venture company will start production during the third quarter of 2013 and secure raw materials supply and accelerate the production expansion plan of the Group horizontally.

As a result, the profit attributable to the owners of the Company for the six months ended 30 June 2013 was approximately RMB2.8 million (for the six months ended 30 June 2012: approximately RMB3.4 million).

Outlook

The Group's nonwoven fabric products are ultimately used in the passenger vehicles. As the growth in production and sales of passenger vehicles in the PRC during the six months ended 30 June 2013, the Board expects the prospect of the business 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, the Board expects the future income stream of trading of rubber will be strengthen and secured. Furthermore the Group is dedicating to step into this commodity trading business to generate the new input of future development in long term aspects.

On the other hand, the Group has just newly launched the business of trading of garment accessories and trading of foods product. After the Group further restructured the operations of each business, the Boards expect they will contribute positively to the financial results of the Group in the near future.

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.

LIQUIDITY AND FINANCIAL RESOURCES

| | 30 June 2013 (Unaudited) RMB'000 | 31 December 2012 (Audited) RMB'000 |
|---------------------|---|---|
| Current assets | 211,519 | 196,757 |
| Current liabilities | 114,463 | 52,862 |
| Current ratio | <u>1.85</u> | <u>3.72</u> |

The current ratio of the Group at 30 June 2013 was 1.85 times as compared to that of 3.72 times at 31 December 2012.

At 30 June 2013, the Group's gearing ratio (represented by totals of borrowings divided by summation of total bank borrowings and equity) amounted to approximately 13.3% (31 December 2012: 13.6%).

At 30 June 2013, cash and bank balances of the Group amounted to approximately RMB38.1 million (31 December 2012: RMB82.1 million), and approximately RMB23.7 million (31 December 2012: RMB71.6 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 27 May 2013, the Company issued 72,000,000 shares of HK\$0.1 each in the principal amount of HK\$14.4 million and a promissory note in the principal amount of HK\$20 million for the acquisition of the business of trading of garment accessories.

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, United States dollars and Hong Kong dollars. At 30 June 2013, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CAPITAL STRUCTURE

Except the Company issued and allotted 72,000,000 shares of HK\$0.1 on 27 May 2013, there has been no material change in the capital structure of the Group since 31 December 2012.

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

So far as known to the Directors, at 30 June 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 of the Company

| Name | Capacity and nature of interest | Number of ordinary shares held | Approximate percentage of the Company's issued share capital |
|---------------|--|---------------------------------------|---|
| Director | | | |
| Zhuang Yuejin | Beneficial owner | 119,790,000 | 31.20% |
| Pak Ping | Beneficial owner | 14,910,000 | 1.29% |

Save as disclosed above, at 30 June 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 30 June 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 | 9.33% |
| Cheung Ngai | Beneficial owner | 72,000,000 | 6.25% |

Save as disclosed above and under the paragraph "Directors' and Chief Executives' Interest in Shares, Underlying Shares and Debentures", at 30 June 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 six months ended 30 June 2013.

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 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 six months ended 30 June 2013.

CORPORATE GOVERNANCE

Except for the deviations set out below, the Company has complied with the Corporate Governance Code ("Code") in Appendix 15 to the GEM Listing Rules for the six months ended 30 June 2013.

Code Provision A.2.1

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. During the six months ended 30 June 2013, 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

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, Mr. Feng Xueben and Dr. Tang Yanfei, were unable to attend the annual general meeting of the Company held on 20 May 2013.

Rules 5.05(1), 5.28 and 5.34 of the GEM Listing Rules

Rule 5.05(1) of the GEM Listing Rules stipulates that the Board must include at least three independent non-executive Directors. Rule 5.28 of the GEM Listing Rules stipulates that the audit committee must comprise a minimum of 3 members. Rules 5.34 of the GEM Listing Rules stipulates the remuneration committee must comprise a majority of independent non-executive Directors. Following the retirement of Dr. Tang Yanfei on 20 May 2013, the number of independent non-executive Directors, audit committee members and remuneration committee members has fallen below the minimum number required under Rules 5.05(1), 5.28 and 5.34 of the GEM Listing Rules. In order to comply with the GEM Listing Rules, the Company is endeavoring to identify a suitable candidate to fill the vacancies within three months from 20 May 2013.

SIGNIFICANT INVESTMENTS

At 30 June 2013, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

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 was completed on 21 May 2013.

On 15 May 2013, the Group entered into a sale and purchase agreement with an independent third party (“Vendor”) pursuant to which the Group acquired the entire business of trading of garment accessories from the Vendor at a consideration of HK\$42 million. The acquisition was completed on 27 May 2013, and 72,000,000 shares of the Company in the principal amount of HK\$14.4 million and the promissory note in the principal amount of HK\$20 million were issued to the Vendor, and the cash consideration as to HK\$7.6 million also paid to the Vendor as payment of the consideration for the acquisition pursuant to the sale and purchase agreement.

Except as disclosed above, there was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the six months ended 30 June 2013.

PLEDGE ON ASSETS

At 30 June 2013, the Group secured its bank loans by buildings with a carrying amounts of approximately RMB7.4 million and prepaid land lease payments with a carrying amounts of approximately RMB2.96 million.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2013, the Group employed a total of 184 employees. The remuneration policy of the employees of the Group was 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. During the six months ended 30 June 2013, 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. During the six months ended 30 June 2013, 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 (retired on 20 May 2013). 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. During the six months ended 30 June 2013, the audit committee comprises three members, namely Mr. Mak Wai Ho, Mr. Feng Xueben and Dr. Tang Yanfei (retired on 20 May 2013) 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 2013 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.

BOARD OF DIRECTORS

At 30 June 2013, the Board comprises four executive Directors and two independent non-executive Directors as follows:

Executive Directors

Mr. Zhuang Yuejin (*Chairman*)

Mr. Pak Ping

Mr. Ni Bin (appointed on 31 May 2013)

Mr. Wong Ho Yin

Independent non-executive Directors

Mr. Mak Wai Ho

Mr. Feng Xueben

By the order of the Board

China Automotive Interior Decoration Holdings Limited

Zhuang Yuejin

Chairman

Hong Kong, 14 August 2013

At the date of this announcement, the executive Directors are Mr. Zhuang Yuejin, Mr. Pak Ping, Mr. Ni Bin and Mr. Wong Ho Yin; and the independent non-executive Directors are Mr. Mak Wai Ho 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>.