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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which 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 ("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.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The board of Directors (the "Board") of China Automotive Interior Decoration Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the preceding financial year ended 31 December 2012.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	**2013** ***RMB'000***	2012 *RMB'000*
Revenue	*5*	**543,377**	166,906
Cost of sales		**(492,565)**	(138,500)
Gross profit		**50,812**	28,406
Other income		**25,362**	4,776
Selling and distribution costs		**(9,020)**	(7,316)
Share of loss of an associate		**(1,371)**	—
Administrative expenses		**(15,520)**	(11,840)
Profit from operations	*6*	**50,263**	14,026
Finance costs	*7*	**(2,637)**	(1,731)
Profit before tax		**47,626**	12,295
Income tax expense	*8*	**(4,582)**	(1,497)
Profit for the year attributable to the owners of the Company		**43,044**	10,798
Profit for the year		**43,044**	10,798
Other comprehensive loss for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(2,218)**	(85)
Total other comprehensive loss for the year		**(2,218)**	(85)
Total comprehensive income for the year attributable to the owners of the Company		**40,826**	10,713
		RMB	*RMB*
Earnings per share			
— Basic	*9*	**3.8 cents**	2.0 cents
— Diluted	*9*	**3.8 cents**	2.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**45,843**	40,146
Prepaid land lease payments		**2,844**	2,917
Deferred tax assets		**1,247**	1,036
Interest in an associate		**4,895**	—
Goodwill		**51,099**	—
		105,928	44,099
Current assets			
Prepaid land lease payments		**73**	73
Inventories		**21,826**	15,555
Trade receivables	*11*	**75,962**	64,678
Note receivables		**13,108**	8,730
Prepayments, deposits and other receivables		**26,027**	21,184
Held-for-trading investments		**27,141**	4,405
Pledged bank deposit		**6,114**	—
Cash and bank balances		**51,474**	82,132
		221,725	196,757
Total assets		**327,653**	240,856
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*12*	**94,829**	89,086
Reserves		**144,894**	98,908
Total equity		**239,723**	187,994

	Note	2013 RMB'000	2012 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	*13*	**20,323**	17,410
Accruals and other payables		**16,189**	5,397
Bank borrowings	*14*	**29,055**	29,500
Bank overdrafts		**2,959**	—
Promissory note		**15,456**	—
Tax payable		**3,948**	555
		87,930	52,862
Total equity and liabilities		**327,653**	240,856
Net current assets		**133,795**	143,895
Total assets less current liabilities		**239,723**	187,994

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2012	20,552	22,694	5,992	2,657	7,681	52,998	112,574
Profit for the year	—	—	—	—	—	10,798	10,798
Other comprehensive loss for the year	—	—	—	(85)	—	—	(85)
Total comprehensive (loss)/income for the year	—	—	—	(85)	—	10,798	10,713
Placing of shares	68,534	—	—	—	—	—	68,534
Share issue expenses	—	(3,827)	—	—	—	—	(3,827)
Transfer to statutory reserve	—	—	—	—	746	(746)	—
At 31 December 2012 and 1 January 2013	89,086	18,867	5,992	2,572	8,427	63,050	187,994
Profit for the year	—	—	—	—	—	43,044	43,044
Other comprehensive loss for the year	—	—	—	(2,218)	—	—	(2,218)
Total comprehensive (loss)/income for the year	—	—	—	(2,218)	—	43,044	40,826
Issue of shares	5,743	5,168	—	—	—	—	10,911
Share issue expenses	—	(8)	—	—	—	—	(8)
Transfer to statutory reserve	—	—	—	—	2,101	(2,101)	—
At 31 December 2013	**94,829**	**24,027**	**5,992**	**354**	**10,528**	**103,993**	**239,723**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 other parts, and trading of rubber, garment accessories and food products.

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

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 September 2010.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, 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 HKICPA and accounting principles generally accepted in Hong Kong, in addition, the 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 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 Group has consistently applied its accounting policies to all the years presented, unless otherwise stated, in the preparation of these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

HKFRS 1 (Amendments)	Government Loan
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]

1 effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

2 effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

3 no mandatory effective date yet determined but is available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 — Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) — Int 21 Levies

HK (IFRIC) — Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) — Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

4. 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.

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 other 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**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Sales to external customers	**354,650**	6,673	**188,727**	160,233	**543,377**	166,906
Segment results	**3,579**	5	**26,828**	14,036	**30,407**	14,041
Unallocated corporate income					**23,351**	2,875
Unallocated corporate expenses					**(3,495)**	(2,890)
Profit from operations					**50,263**	14,026
Finance costs					**(2,637)**	(1,731)
Profit before tax					**47,626**	12,295

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2013 and 2012.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of interest income, realised gain on held-for-trading investments, unrealised gain on held-for-trading investments and central operating expenses including staff costs, finance costs and income tax expense. This is the measure reported to the chief operating decision marker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Supply and procurement operation		**Manufacture and sale of nonwoven fabric products**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS						
Segment assets	**116,147**	8,157	**182,778**	170,414	**298,925**	178,571
Unallocated corporate assets					**28,728**	62,285
Total assets					**327,653**	240,856
LIABILITIES						
Segment liabilities	**28,893**	—	**42,880**	52,308	**71,773**	52,308
Unallocated corporate liabilities					**16,157**	554
Total liabilities					**87,930**	52,862

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

— all assets are allocated to reportable segment other than corporate financial assets including held-for-trading investments and corporate cash and bank balance.

— all liabilities are allocated to reportable segments other than corporate financial liabilities including promissory note and accruals and other payables.

Other segment information

The following is the analysis of the Group's other segment information:

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Capital expenditure	**4,572**	—	**5,983**	2,606	**10,555**	2,606
Depreciation of property, plant and equipment	**1**	—	**4,827**	4,479	**4,828**	4,479
Amortisation of prepaid land lease payments	**—**	—	**73**	73	**73**	73
Inventories written off	**—**	—	**26**	410	**26**	410
Impairment loss recognised in respect of trade receivables	**—**	—	**198**	117	**198**	117

Revenue from major products and services

Information about the Group's major products is set out in Note 5.

Geographical information

The Group's operations are located in the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		Non-current assets*	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**494,042**	160,233	**49,016**	43,029
Hong Kong	**43,690**	6,673	**4,566**	34
Overseas *(Note)*	**5,645**	—	**—**	—
	543,377	166,906	**53,582**	43,063

Note: The Group's overseas customers including but not limited to customers in Singapore, Bangladesh and Taiwan.

* Non-current assets exclude deferred tax assets and goodwill.

Information about major customers

For the year ended 31 December 2013, revenue generated from one (2012: three) customer of the Group amounting to approximately RMB57,549,000 (2012: RMB79,046,000) has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2013 and 2012.

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2013	2012
	RMB'000	*RMB'000*
Customer A	**57,549**	—
Customer B *(Note)*	—	37,255
Customer C *(Note)*	—	23,031
Customer D *(Note)*	—	18,760

Note:

No information on revenue for the current year is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 December 2013.

5. REVENUE

The Group's revenue represents sales of nonwoven fabric products used in automotive interior decoration parts and other parts, rubber, garment accessories and food products.

An analysis of revenue is as follows:

	2013	2012
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
— Sales of automotive floor carpets	**108,117**	90,234
— Sales of other automotive parts	**80,610**	69,999
Sales of rubber	**332,668**	6,673
Sales of garment accessories	**20,923**	—
Sales of food products	**1,059**	—
	543,377	166,906

6. PROFIT FROM OPERATIONS

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

	2013	2012
	RMB'000	*RMB'000*
Amortisation of prepaid land lease payments	**73**	73
Depreciation of property, plant and equipment	**4,828**	4,479

7. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**1,799**	1,724
Interest expenses on bank overdrafts	**82**	—
Interest expenses on promissory note	**756**	—
Finance lease charges	**—**	7
	2,637	1,731

8. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**1,383**	398
PRC enterprise income tax ("**EIT**")	**3,707**	1,564
	5,090	1,962
Overprovision for in previous years		
PRC EIT	**(297)**	(283)
Deferred tax		
Current year	**(211)**	(182)
	4,582	1,497

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 years ended 31 December 2013 and 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"), the Company's wholly-owned subsidiary, 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. During the year ended 31 December 2013, Joystar Wuxi has further obtained the Certificate of Innovative and High-end Technology Enterprise and the IHT Enterprise Rate enjoyed by Joystar Wuxi will be expired in November 2015. Consequently, the applicable income tax rate of Joystar Wuxi for the year ended 31 December 2013 is 15% (2012: 15%).

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB43,044,000 (2012: RMB10,798,000) and the weighted average number of ordinary shares of 1,123,200,000 (2012: 532,131,148) in issue during the year.

Diluted earnings per share

For the years ended 31 December 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 years ended 31 December 2013 and 2012.

10. DIVIDEND

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2013 (2012: 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:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**62,116**	53,581
91 to 180 days	**9,743**	7,327
181 to 365 days	**2,643**	3,770
Over 365 days	**1,460**	—
	75,962	64,678

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days (2012: 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.

12. SHARE CAPITAL

	Note	**Number of shares**	**Amount** *HK$'000*	**Amount** *RMB'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013		10,000,000,000	1,000,000	863,495
Issued and fully paid:				
At 1 January 2012		240,000,000	24,000	20,552
Issue of shares by way of placing	*(a)*	840,000,000	84,000	68,534
At 31 December 2012 and 1 January 2013		1,080,000,000	108,000	89,086
Issue of consideration shares	*(b)*	72,000,000	7,200	5,743
At 31 December 2013		**1,152,000,000**	**115,200**	**94,829**

Note:

(a) On 14 May 2012, the Company raised 120,000,000 offer shares of HK$0.1 each by way of an open offer on the basis of one offer share for every two existing shares held on the record date.

On 12 September 2012, the Company raised 720,000,000 offer shares of HK$0.1 each by way of an open offer on the basis of two offer shares for every one existing share held on the record date.

(b) 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.

13. TRADE PAYABLES

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**17,966**	13,881
91 to 180 days	**54**	1,677
181 to 365 days	**250**	1,604
Over 365 days	**2,053**	248
	20,323	17,410

14. BANK BORROWINGS

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Current		
Bank loans, secured	**29,055**	29,500

The maturities of the above bank borrowings are as follows:

	2013	2012
	RMB'000	*RMB'000*
Carrying amount repayable:		
— within one year	**25,317**	29,500
— more than one year but within two years	**876**	—
— more than two years but within five years	**1,579**	—
— more than five years	**1,283**	—
Secured bank loan	**29,055**	29,500
Less: Amounts classified under current liabilities		
Secured bank loan that contain a repayment on demand clause or due within one year	**(29,055)**	(29,500)
Amounts classified under non-current liabilities	**—**	—

MANAGEMENT'S 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 other parts, trading of rubber, garment accessories and food products.

Manufacture and sale of nonwoven fabric products

Manufacture and sale of nonwoven fabric products is the core business of the Group. 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 customers of nonwoven fabric products 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 ("CAAM"), the production and sales of passenger vehicles in the PRC were approximately 18,085,000 units and 17,928,000 units respectively during 2013, representing an increase of approximately 16.5% and 15.7%. These favorable growth in passenger vehicles market resulted in a stable demand for automotive interior decoration materials of the Group during 2013.

In addition, the Group's committed efforts in research and development in the use of new materials and improvement of production technologies yielded successful results in late 2012. Such efforts were carried on in the manufacturing process of the Group in 2013 and reduced some production cost during the year under review.

Trading of rubber

The Group commenced its business of rubber trading since last quarter of 2012 and expanded the operation after the acquisition of entire business of synthetic and nature rubber trading on 26 March 2013. Operationally, the Group imported raw rubber and sold to customers and traders in the PRC. To manage the risk, the Group mainly carried out that business in back-to-back model. With solid business track records, the Group was already granted new banking facility to enhance the capital resources for the business growth of trading of rubber.

Diversification of business

It is the Group's objective to pursue its existing business and at the same time, to actively seek opportunities to diversify its existing business in order to reduce business risk. Since the second quarter of 2013, the Group has diversified into the business of trading of garment accessories, such as polyester tape and polyester string. Operationally, the Group mainly accepted sale orders in Hong Kong and acquired the garments accessories in the PRC.

The Group also diversified into the business of trading of food products but it still could not contribute positively to the financial result of the Group. After careful evaluation of that business, the Group downsized the operation in the fourth quarter of 2013.

Financial Review

Revenue

The Group's revenue for the years ended 31 December 2013 and 2012 was illustrated as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
— Sales of automotive floor carpets	**108,117**	90,234
— Sales of other automotive parts	**80,610**	69,999
Sales of rubber	**332,668**	6,673
Sales of garment accessories	**20,923**	—
Sales of food products	**1,059**	—
	543,377	166,906

For the year ended 31 December 2013, the Group's revenue increased to approximately RMB543.4 million, compared to approximately RMB166.9 million in 2012, representing an increase of approximately 225.6%. 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, the expansion of business of sales of rubber and the new contribution from the business of trading of garment accessories.

Gross profit

The gross profit of the Group increased by approximately RMB22.4 million from approximately RMB28.4 million in 2012 to approximately RMB50.8 million in 2013. The increase was mainly attributable to the growth of revenue of the Group and decrease in average cost of production of the business of manufacturing. The gross profit margin of business of trading is generally lower than the business of manufacturing. During the year under review, the gross profit margin of rubber trading was approximately 1%. Therefore the gross profit margin of the Group for the year ended 31 December 2013 decreased to approximately 9%.

Other income

The Group's other income increased by approximately RMB20.6 million from approximately RMB4.8 million for the year ended 31 December 2012 to approximately RMB25.4 million for the year ended 31 December 2013. The increase was mainly due to the unrealised gain on held-for-trading investments of approximately RMB20.1 million. Since 2012, the Group deployed financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends. At 31 December 2013, the held-for-trading investments of approximately RMB27.1 million only comprised of securities from companies listed on the Stock Exchange of Hong Kong.

Selling and distribution costs

As the expansion of business of the Group, the selling and distribution costs increased by approximately RMB1.7 million from approximately RMB7.3 million in 2012 to approximately RMB9 million for the year ended 31 December 2013.

Share of loss of an associate

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 year ended 31 December 2013, the share of loss of an associate of approximately RMB1.4 million was mainly the preliminary expenses incurred for the establishment of the joint venture company. The joint venture company already began production testing since the third quarter of 2013 and the Group expected it will secure raw materials supply and accelerate the production expansion plan of the Group horizontally.

Administrative expenses

The administrative expenses increased by approximately RMB3.7 million from approximately RMB11.8 million in 2012 to approximately RMB15.5 million for the year ended 31 December 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 during the first quarter of 2013.

Finance costs

The finance costs increased by approximately RMB0.9 million from approximately RMB1.7 million for the year ended 31 December 2012 to approximately RMB2.6 million for the year ended 31 December 2013. The increase was mainly due to the recognition of interest expenses of approximately RMB0.8 million on promissory note issued on 27 May 2013 for the acquisition of business of trading of garment accessories.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company was approximately RMB43 million for the year of 2013 compared with approximately RMB10.8 million for the corresponding period of 2012. The increase was mainly due to the increase in demand of automotive interior decoration materials of the Group's core business under the continuous growth in automotive industry in the PRC and the increase in unrealised gain on held-for-trading investments of the Group.

Outlook

CAAM expects the sale of automotives in the PRC will increase by 8% to 10% in 2014. As the Group's nonwoven fabric products are ultimately used in the passenger vehicles, 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.

Trading of rubber yielded stable return with a lower risk level. The Group considered that the PRC's market is still a major driver for rubber trading of the Group. Supported by a highly professional and experienced team on rubber trading, the Group has quickly built up strategic alignment with both upstream and downstream partners, and started to establish the market reputation steadily. Therefore, the Board expects the future income stream of trading of rubber will be strengthen and secured. On the other hand, the Group has just restructured the operations of the business of trading of garment accessories, the Board expects it will continuously contribute a stable return to the Group.

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current assets	**221,725**	196,757
Current liabilities	**87,930**	52,862
Current ratio	**2.52**	3.72

The current ratio of the Group at 31 December 2013 was 2.52 times as compared to that of 3.72 times at 31 December 2012. It was mainly resulted from the issue of promissory note during the year.

At 31 December 2013, the Group's gearing ratio (represented by totals of bank borrowings, bank overdrafts and promissory note divided by summation of total bank borrowings, bank overdrafts, promissory note and equity) amounted to approximately 16.5% (2012: 13.6%).

TREASURY POLICY

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.

At 31 December 2013, cash and bank balances of the Group amounted to approximately RMB51.5 million (2012: RMB82.1 million), and approximately RMB35.5 million (2012: RMB71.6 million) of which are denominated in Hong Kong dollars and United States dollars. Taking into account the Group's cash reserves and recurring cash flows from its operations, the Group's financial position is stable and healthy.

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE EXPOSURE

Majority of the assets and liabilities of the Group were denominated in Renminbi, United States dollars and Hong Kong dollars. At 31 December 2013, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2013, there was no significant investment held by the Group (2012: Nil).

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 acquired the entire business of trading of garment accessories 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 year ended 31 December 2013.

PLEDGE ON ASSETS

At 31 December 2013, the Group's buildings with a carrying amounts of approximately RMB11.7 million (2012: RMB7.5 million), prepaid land lease payments with a carrying amounts of approximately RMB2.9 million (2012: RMB3 million) and bank deposits with a carrying amounts of approximately RMB6.1 million (2012: Nil) were pledged to banks for bank borrowings and bank overdrafts.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2013, the Group employed a total of 173 employees (2012: 184). The emolument 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 emolument policy and structure for all directors and senior management of the Group.

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 year.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year.

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 the 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 year.

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 for the year ended 31 December 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Except for the deviation from Code provision A.2.1 and A.6.7 as set out in the Corporate Governance Code ("Code") in Appendix 15 to the GEM Listing Rules, the Company complied with the Code for the year ended 31 December 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.

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 general meetings of the Company held on 20 May 2013.

AUDIT COMMITTEE

The Company established an audit committee on 13 September 2010 with written terms of reference in compliance with the GEM Listing Rules. At 31 December 2013, the audit committee comprises three independent non-executive Directors, namely Mr. Mak Wai Ho (chairman of the audit committee), Mr. Feng Xueben and Ms. Sung Kwan Wun. The audited consolidated results of the Group for the year ended 31 December 2013 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, 21 February 2014

As at the date hereof, the executive directors are Mr. Zhuang Yuejin, Mr. Pak Ping and Mr. Wong Ho Yin, and the independent non-executive directors are Mr. Mak Wai Ho, Mr. Feng Xueben and Ms. Sung Kwan Wun.

This announcement will remain on the "Latest Company Announcements" page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at 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.