



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 2014

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

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

INTERIM RESULTS

The board of directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company for the three months and the six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding periods in 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2014

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Revenue | 3 | 83,502 | 136,096 | 182,096 | 177,667 |
| Cost of sales | | <u>(71,050)</u> | <u>(126,059)</u> | <u>(158,786)</u> | <u>(160,740)</u> |
| Gross profit | | 12,452 | 10,037 | 23,310 | 16,927 |
| Other income/(loss) | 4 | 2,392 | (680) | 6,762 | 2,513 |
| Selling and distribution costs | | (2,500) | (1,880) | (4,826) | (3,711) |
| Share of loss of an associate | | (505) | (365) | (1,607) | (365) |
| Administrative expenses | | <u>(3,475)</u> | <u>(5,878)</u> | <u>(8,149)</u> | <u>(10,553)</u> |
| Profit from operations | 6 | 8,364 | 1,234 | 15,490 | 4,811 |
| Finance costs | 7 | <u>(738)</u> | <u>(730)</u> | <u>(1,524)</u> | <u>(1,182)</u> |
| Profit before tax | | 7,626 | 504 | 13,966 | 3,629 |
| Income tax expense | 8 | <u>(1,054)</u> | <u>(30)</u> | <u>(1,903)</u> | <u>(873)</u> |
| Profit for the period attributable to the owners of the Company | | <u>6,572</u> | <u>474</u> | <u>12,063</u> | <u>2,756</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the three months and six months ended 30 June 2014

| | Three months ended | | Six months ended | |
|---|--------------------------|-------------------|--------------------------|-------------------|
| | 30 June | | 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Note | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Profit for the period | 6,572 | 474 | 12,063 | 2,756 |
| Other comprehensive (loss)/income for the period, net of income tax: | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | <u>(35)</u> | <u>(1,196)</u> | <u>503</u> | <u>(1,738)</u> |
| Total other comprehensive (loss)/income for the period | <u>(35)</u> | <u>(1,196)</u> | <u>503</u> | <u>(1,738)</u> |
| Total comprehensive (loss)/income for the period attributable to the owners of the Company | <u>6,537</u> | <u>(722)</u> | <u>12,566</u> | <u>1,018</u> |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Earnings per share | 9 | | | |
| Basic | <u>0.57 cents</u> | <u>0.04 cents</u> | <u>1.05 cents</u> | <u>0.25 cents</u> |
| Diluted | <u>0.57 cents</u> | <u>0.04 cents</u> | <u>1.05 cents</u> | <u>0.25 cents</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

| | | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|-------------|---|---|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 47,563 | 45,843 |
| Prepaid land lease payments | | 2,808 | 2,844 |
| Deferred tax assets | | 1,360 | 1,247 |
| Interest in an associate | | 3,288 | 4,895 |
| Goodwill | | 51,099 | 51,099 |
| | | <u>106,118</u> | <u>105,928</u> |
| Current assets | | | |
| Prepaid land lease payments | | 73 | 73 |
| Inventories | | 21,918 | 21,826 |
| Trade receivables | 11 | 71,699 | 75,962 |
| Notes receivables | | 20,459 | 13,108 |
| Prepayments, deposits and other receivables | | 41,089 | 26,027 |
| Held-for-trading investments | | 41,045 | 27,141 |
| Pledged bank deposit | | 6,162 | 6,114 |
| Cash and bank balances | | 23,064 | 51,474 |
| | | <u>225,509</u> | <u>221,725</u> |
| Total assets | | <u><u>331,627</u></u> | <u><u>327,653</u></u> |
| EQUITY | | | |
| Capital and reserves attributable to the owners of the Company | | | |
| Share capital | 12 | 94,829 | 94,829 |
| Reserves | | 157,460 | 144,894 |
| Total equity | | <u>252,289</u> | <u>239,723</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 13 | 35,504 | 20,323 |
| Accruals, other payables and deposits received | | 7,929 | 16,189 |
| Bank borrowings | 14 | 30,244 | 29,055 |
| Bank overdrafts | | 2,802 | 2,959 |
| Promissory note | 15 | — | 15,456 |
| Tax payable | | 2,859 | 3,948 |
| | | <u>79,338</u> | <u>87,930</u> |
| Total equity and liabilities | | <u>331,627</u> | <u>327,653</u> |
| Net current assets | | <u>146,171</u> | <u>133,795</u> |
| Total assets less current liabilities | | <u><u>252,289</u></u> | <u><u>239,723</u></u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

| | Share capital (Unaudited) <i>RMB'000</i> | Share premium (Unaudited) <i>RMB'000</i> | Merger reserve (Unaudited) <i>RMB'000</i> | Foreign currency translation reserve (Unaudited) <i>RMB'000</i> | Statutory reserve (Unaudited) <i>RMB'000</i> | Retained profits (Unaudited) <i>RMB'000</i> | Total equity (Unaudited) <i>RMB'000</i> |
|---|---|---|--|--|---|--|--|
| 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 | — | — | — | (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> |
| At 1 January 2014 | 94,829 | 24,027 | 5,992 | 354 | 10,528 | 103,993 | 239,723 |
| Profit for the period | — | — | — | — | — | 12,063 | 12,063 |
| Other comprehensive income for the period | — | — | — | 503 | — | — | 503 |
| Total comprehensive income for the period | — | — | — | 503 | — | 12,063 | 12,566 |
| At 30 June 2014 | <u>94,829</u> | <u>24,027</u> | <u>5,992</u> | <u>857</u> | <u>10,528</u> | <u>116,056</u> | <u>252,289</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Net cash used in operating activities | (1,408) | (6,192) |
| Net cash used in investing activities | (12,443) | (36,174) |
| Net cash used in financing activities | <u>(14,656)</u> | <u>(28)</u> |
| Net decrease in cash and cash equivalents | (28,507) | (42,394) |
| Cash and cash equivalents at the beginning of period | 48,515 | 82,132 |
| Effect of foreign currency exchange rate changes | <u>254</u> | <u>(1,677)</u> |
| Cash and cash equivalents at the end of period | <u>20,262</u> | <u>38,061</u> |
| Analysis of the balances of cash and cash equivalents: | | |
| Cash and bank balances | 23,064 | 38,061 |
| Bank overdrafts | <u>(2,802)</u> | <u>—</u> |
| | <u>20,262</u> | <u>38,061</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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, trading of rubber and garment accessories.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 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 2014 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 2013 as contained in the Company's annual report 2013.

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2014, the accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2013. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated financial statements of the Group.

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

3. REVENUE

The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and garment accessories.

| | Three months ended | | Six months ended | |
|---|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | (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 automotive interior decoration parts and other parts | 39,606 | 44,702 | 80,427 | 86,273 |
| Sales of rubber | 37,661 | 87,864 | 87,452 | 87,864 |
| Sales of garment accessories | 6,235 | 2,462 | 14,217 | 2,462 |
| Sales of food products | — | 1,068 | — | 1,068 |
| | 83,502 | 136,096 | 182,096 | 177,667 |

4. OTHER INCOME/(LOSS)

| | Three months ended | | Six months ended | |
|--|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest income | 28 | 7 | 45 | 12 |
| Technical support income | — | — | 710 | — |
| Consultancy fee income | — | — | 394 | — |
| Realised gain on held-for-trading investments | 534 | — | 551 | 22 |
| Unrealised gain/(loss) on held-for-trading investments | 1,811 | (719) | 4,930 | 2,369 |
| Sundry income | 19 | 32 | 132 | 110 |
| | 2,392 | (680) | 6,762 | 2,513 |

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.

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 and garment accessories.

Segment revenue and results

| | Supply and procurement operation | | Manufacture and sale of nonwoven fabric products | | Total | |
|--------------------------------|-------------------------------------|--------------------------------|---|--------------------------------|--------------------------------|--------------------------------|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Segment revenue: | | | | | | |
| Sales to external customers | <u>101,669</u> | <u>91,394</u> | <u>80,427</u> | <u>86,273</u> | <u>182,096</u> | <u>177,667</u> |
| Segment results | <u>519</u> | <u>1,408</u> | <u>10,684</u> | <u>3,944</u> | <u>11,203</u> | <u>5,352</u> |
| Unallocated corporate income | | | | | <u>5,526</u> | <u>2,391</u> |
| Unallocated corporate expenses | | | | | <u>(1,239)</u> | <u>(2,932)</u> |
| Finance costs | | | | | <u>15,490</u> | <u>4,811</u> |
| | | | | | <u>(1,524)</u> | <u>(1,182)</u> |
| Profit before tax | | | | | <u>13,966</u> | <u>3,629</u> |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2014 and 2013.

Segment assets and liabilities

| | Supply and procurement operation | | Manufacture and sale of nonwoven fabric products | | Total | |
|-----------------------------------|---|---|---|---|---|---|
| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
| | ASSETS | | | | | |
| Segment assets | 97,371 | 116,147 | 192,730 | 182,778 | 290,101 | 298,925 |
| Unallocated corporate assets | | | | | <u>41,526</u> | <u>28,728</u> |
| Total assets | | | | | <u>331,627</u> | <u>327,653</u> |
| LIABILITIES | | | | | | |
| Segment liabilities | 27,743 | 28,893 | 51,119 | 42,880 | 78,862 | 71,773 |
| Unallocated corporate liabilities | | | | | <u>476</u> | <u>16,157</u> |
| Total liabilities | | | | | <u>79,338</u> | <u>87,930</u> |

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 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 | | Six months ended | |
|---|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Depreciation of property, plant and equipment | 1,336 | 1,001 | 2,621 | 2,304 |
| Amortisation of prepaid land lease payments | 18 | 14 | 18 | 29 |
| Directors' remuneration | 297 | 292 | 631 | 566 |
| Operating lease rentals in respect of rented premises | 267 | 52 | 528 | 102 |
| Cost of inventories recognised as cost of sales | 61,618 | 120,707 | 143,176 | 145,902 |
| Research and development expenditure | 2,843 | 1,786 | 5,121 | 3,672 |
| Staff costs (including directors' remuneration) | | | | |
| — Salaries and other benefits | 2,729 | 1,990 | 6,005 | 4,032 |
| — Retirement benefits scheme contributions | 514 | 520 | 1,142 | 1,177 |
| | <u>3,243</u> | <u>2,510</u> | <u>7,147</u> | <u>5,209</u> |

7. FINANCE COSTS

| | Three months ended | | Six months ended | |
|---|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest expenses on bank borrowings wholly repayable | | | | |
| — within five years | 462 | 629 | 916 | 1,081 |
| — beyond five years | 10 | — | 22 | — |
| Interest expenses on bank overdrafts | 68 | — | 80 | — |
| Interest expenses on promissory note | 198 | 101 | 506 | 101 |
| | <u>738</u> | <u>730</u> | <u>1,524</u> | <u>1,182</u> |

8. INCOME TAX EXPENSE

| | Three months ended | | Six months ended | |
|-----------------------------------|--------------------|----------------|------------------|----------------|
| | 30 June | | 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax | | | | |
| Hong Kong | 128 | (189) | 469 | 302 |
| PRC enterprise income tax (“EIT”) | 987 | 265 | 1,547 | 662 |
| | <u>1,115</u> | <u>76</u> | <u>2,016</u> | <u>964</u> |
| Deferred tax | (61) | (46) | (113) | (91) |
| | <u>1,054</u> | <u>30</u> | <u>1,903</u> | <u>873</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 2014 and 2013.

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”). During the year ended 31 December 2013, 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 on November 2015. Consequently, the applicable income tax rate of Joystar Wuxi for the six months ended 30 June 2014 is 15% (six months ended 30 June 2013: 15%).

9. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and six months ended 30 June 2014 are based on the unaudited condensed consolidated profit of approximately RMB6,572,000 and RMB12,063,000 attributable to the owners of the Company respectively (three months and six months ended 30 June 2013: RMB474,000 and RMB2,756,000 respectively) and the weighted average number of ordinary shares of 1,152,000,000 and 1,152,000,000 in issue during the three months and six months ended 30 June 2014 respectively (weighted average number of ordinary shares in issue during the three months and six months ended 30 June 2013: 1,106,901,099 and 1,093,524,862 respectively).

For the three months and six months ended 30 June 2014 and 2013, 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 2014 and 2013.

10. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

11. TRADE RECEIVABLES

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

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------|---|---|
| 0 to 90 days | 49,526 | 62,116 |
| 91 to 180 days | 18,322 | 9,743 |
| 181 to 365 days | 3,851 | 2,643 |
| Over 365 days | — | 1,460 |
| | <u>71,699</u> | <u>75,962</u> |

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 days to 120 days (2013: 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.

12. 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 2013, 30 June 2013, 31 December 2013 and 30 June 2014 | | 10,000,000,000 | 1,000,000 | 863,495 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.1 each | | | | |
| At 1 January 2013 | | 1,080,000,000 | 108,000 | 89,086 |
| Consideration shares | <i>(a)</i> | 72,000,000 | 7,200 | 5,743 |
| At 30 June 2013, 31 December 2013 and 30 June 2014 | | 1,152,000,000 | 115,200 | 94,829 |

Notes:

- (a) 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:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------|---|---|
| 0 to 90 days | 27,576 | 17,966 |
| 91 to 180 days | 5,923 | 54 |
| 181 to 365 days | 121 | 250 |
| Over 365 days | 1,884 | 2,053 |
| | <u>35,504</u> | <u>20,323</u> |

14. BANK BORROWINGS

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---------------------|---|---|
| Current | | |
| Bank loans, secured | 30,244 | 29,055 |

The maturities of the above bank borrowings are as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--|---|---|
| Carrying amount repayable: | | |
| — within one year | 25,375 | 25,317 |
| — more than one year but within two years | 870 | 876 |
| — more than two years but within five years | 1,350 | 1,579 |
| — more than five years | 2,649 | 1,283 |
| Secured bank loan | 30,244 | 29,055 |
| <i>Less:</i> Amounts classified under current liabilities | | |
| Secured bank loan that contain a repayment on demand clause or due within one year | (30,244) | (29,055) |
| Amounts classified under non-current liabilities | — | — |

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

15. PROMISSORY NOTE

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|------------------------|---|---|
| Promissory note issued | — | 15,165 |
| Interest expenses | — | 756 |
| Interest payable | — | (286) |
| Exchange alignment | — | (179) |
| | <u>—</u> | <u>(179)</u> |
| | <u>—</u> | <u>15,456</u> |

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 was repaid 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 RMB15,165,000.

The promissory note was measured at amortised cost, using effective interest rate of 8.3%.

At 31 December 2013, the carrying amount of the promissory note approximates to its fair value.

16. OPERATING LEASE COMMITMENT

At 30 June 2014, the Group had commitments for the future minimum lease payments under non-cancellable operating leases within fall due as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|--|---|---|
| Within one year | 848 | 707 |
| In the second to fifth years inclusive | 1,336 | 1,569 |
| | <u>2,184</u> | <u>2,276</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 4 years (31 December 2013: 1 to 4 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.

17. CAPITAL COMMITMENT

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

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (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 | 2,861 | 2,861 |
| | 16,208 | 16,208 |

18. 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 | |
|---|---|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Salaries and other short-term benefits | 599 | 555 |
| Employer contribution to pension scheme | 32 | 11 |
| | 631 | 566 |

19. 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 and garment accessories.

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 9,708,500 units and 9,633,800 units respectively for the six months ended 30 June 2014, representing an increase of approximately 12.1% and 11.2%. 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

The Group commenced its business of rubber trading since 2012. During the period review, the major suppliers of that business were the rubber traders in Asian countries, such as Thailand and Singapore and the major customers were the rubber traders in the PRC. The market price of rubber was generally quoted in the commodity market, such as Singapore Commodity Exchange. The Group will identify potential suppliers which are willing to provide the rubber on the quoted price. Then, the Group will normally add premium to the cost and quotes the selling price to the customers. The international market price of rubber continuously decreased during the first half of 2014. To manage the risk, the Group mainly carried out that business in back-to-back model.

Since the second quarter of 2013, the Group diversified into the business of trading of garment accessories. The products of trading of garment accessories are mainly nylon tape, polyester tape and polyester string. The major customers of that business are the Hong Kong buying office of overseas garment manufacturers and the major suppliers are the manufacturer of garment accessories in the PRC.

Since the last quarter of 2013, the Group downsized the business operation 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 discontinued it during the first quarter of 2014.

Financial Review

The Group's revenue for the six months ended 30 June 2014 was illustrated as follows:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
| Nonwoven fabric for use in automotive interior decoration parts and other parts | 80,427 | 86,273 |
| Sales of rubber | 87,452 | 87,864 |
| Sales of garment accessories | 14,217 | 2,462 |
| Sales of food products | — | 1,068 |
| | <u>182,096</u> | <u>177,667</u> |

For the six months ended 30 June 2014, the Group's revenue increased to approximately RMB182.1 million, compared to approximately RMB177.7 million in the corresponding period in 2013, representing an increase of approximately 2.5%. The increase in the Group's revenue was mainly attributable to the expansion of business of rubber trading since the second quarter of 2013 and the new contribution from the business of trading of garment accessories.

The gross profit of the Group increased by approximately RMB6.4 million from approximately RMB16.9 million in the corresponding period in 2013 to approximately RMB23.3 million. The increase was mainly attributable to the growth of revenue of the Group. Trading of rubber requires low value-added services and therefore its gross profit margin is generally lower than the business of manufacturing. During the period under review, the gross profit margin of rubber trading was approximately 1%. Although there was an increase in gross profit margin of manufacture and sale of nonwoven fabric products, the gross profit margin of the Group for the six months ended 30 June 2014 was approximately 12.8%.

The Group's other income increased by approximately RMB4.2 million from approximately RMB2.5 million for the six months ended 30 June 2013 to approximately RMB6.8 million for the six months ended 30 June 2014. The increase was mainly due to the increase in gain on held-for-trading investments during the period under review.

As the expansion of business of trading since the second half of 2013, the selling and distribution costs increased by approximately RMB1.1 million from approximately RMB3.7 million for the corresponding period in 2013 to RMB4.8 million for the six months ended 30 June 2014.

The Group's associated company is engaged in the production and sale of polyester fibers used in automobiles in the PRC. The associated company incurred loss during the period under review because the factory was just established during the second half of 2013 and was still on the stage of production testing of the products.

As a result, the profit attributable to the owners of the Company for the six months ended 30 June 2014 was approximately RMB12.1 million (for the six months ended 30 June 2013: approximately RMB2.8 million).

Outlook

The Group's nonwoven fabric products are generally used in the passenger vehicles. As the favourable growth in production and sales of passenger vehicles in the PRC during the six months ended 30 June 2014, the Board are still optimistic about the future prospect of the business. 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 highend 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 initially traded rubber by leveraging on the Group's financial position. As the international price of natural rubber continuously decreased, the Group then gradually shifted to trade in a more conservative manner on a back-to-back way so as to reduce the risk on the fluctuation of rubber price. However, the Group considers that the PRC's market is still a major driver for rubber trading of the Group.

On the other hand, the Board expects the business of trading of garment accessories 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

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---------------------|---|---|
| Current assets | 225,509 | 221,725 |
| Current liabilities | 79,338 | 87,930 |
| Current ratio | <u>2.84</u> | <u>2.52</u> |

The current ratio of the Group at 30 June 2014 was 2.84 times as compared to that of 2.52 times at 31 December 2013.

At 30 June 2014, the Group's gearing ratio (represented by totals of bank borrowings, promissory note and bank overdrafts divided by summation of total bank borrowings, bank overdrafts, promissory note and equity) amounted to approximately 11.6% (31 December 2013: 16.5%).

TREASURY POLICY

The Group generally financed its operations by internal cash resources and bank financing.

At 30 June 2014, cash and bank balances of the Group amounted to approximately RMB23.1 million (31 December 2013: RMB51.5 million), and approximately RMB11.9 million (31 December 2013: RMB35.5 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.

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 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since 31 December 2013.

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

So far as known to the Directors, at 30 June 2014, 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 shareholding in the Company |
|---------------|--|---------------------------------------|--|
| Director | | | |
| Zhuang Yuejin | Beneficial owner | 359,370,000 | 31.20% |
| Pak Ping | Beneficial owner | 14,910,000 | 1.29% |

Save as disclosed above, at 30 June 2014, 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 2014, 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% |

Save as disclosed above and under the paragraph "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES", at 30 June 2014, 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 2014.

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 2014.

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 2014.

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 2014.

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 2014, 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 other business engagements, two independent non-executive Directors, Mr. Feng Xueben and Ms. Sung Kwan Wun, were unable to attend the annual general meeting of the Company held on 20 June 2014.

SIGNIFICANT INVESTMENTS

At 30 June 2014, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the six months ended 30 June 2014.

PLEDGE ON ASSETS

At 30 June 2014, the Group secured its bank loans by buildings with a carrying amounts of approximately RMB11.7 million and prepaid land lease payments with a carrying amounts of approximately RMB2.9 million.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2014, the Group employed a total of 171 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 2014, 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 2014, the remuneration committee comprises one executive Director, namely Mr. Zhuang Yuejin and two independent non-executive Directors, namely Mr. Mak Wai Ho and Ms. Sung Kwan Wun. 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 2014, the audit committee comprises three members, namely Mr. Mak Wai Ho, Mr. Feng Xueben and Ms. Sung Kwan Wun 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 2014 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 2014, the Board comprises three executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Zhuang Yuejin (*Chairman*)

Mr. Pak Ping

Mr. Wong Ho Yin

Independent non-executive Directors

Mr. Mak Wai Ho

Mr. Feng Xueben

Ms. Sung Kwan Wun

By the order of the Board

China Automotive Interior Decoration Holdings Limited

Zhuang Yuejin

Chairman

Hong Kong, 12 August 2014

At the date of this announcement, 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 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>.