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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: 0048)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 together with the comparative figures for the preceding financial year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Revenue	4	**357,251**	543,377
Cost of sales		**(307,113)**	(492,565)
Gross profit		**50,138**	50,812
Other income	5	**11,864**	25,362
Selling and distribution costs		**(9,126)**	(9,020)
Share of loss of an associate		**(2,721)**	(1,371)
Administrative expenses		**(17,937)**	(15,520)
Profit from operations	6	**32,218**	50,263
Finance costs	7	**(2,708)**	(2,637)
Profit before tax		**29,510**	47,626
Income tax expense	8	**(3,630)**	(4,582)
Profit for the year attributable to the owners of the Company		**25,880**	43,044

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**25,880**	43,044
Other comprehensive income/(loss) for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**341**	(2,218)
Total other comprehensive income/(loss) for the year		**341**	(2,218)
Total comprehensive income for the year attributable to the owners of the Company		**26,221**	40,826
Earnings per share		*RMB*	*RMB*
— Basic	*9*	**2.1 cents**	3.8 cents
— Diluted	*9*	**2.1 cents**	3.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**45,661**	45,843
Investment property		**4,424**	—
Prepaid land lease payments		**2,771**	2,844
Deferred tax assets		**1,247**	1,247
Interest in an associate		**6,114**	4,895
Goodwill		**51,099**	51,099
		111,316	105,928
Current assets			
Prepaid land lease payments		**73**	73
Inventories		**15,896**	21,826
Trade receivables	*11*	**86,755**	75,962
Note receivables		**6,037**	13,108
Prepayments, deposits and other receivables		**43,614**	26,027
Held-for-trading investments		**68,486**	27,141
Pledged bank deposit		**6,137**	6,114
Cash and bank balances		**69,421**	51,474
		296,419	221,725
Total assets		**407,735**	327,653
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	*12*	**113,062**	94,829
Reserves		**220,058**	144,894
Total equity		**333,120**	239,723
LIABILITIES			
Non-current liabilities			
Bank borrowings		**4,400**	—
Current liabilities			
Trade payables	*13*	**22,174**	20,323
Derivative financial liability		**1,000**	—
Accruals and other payables		**10,368**	16,189
Bank borrowings		**30,500**	29,055
Bank overdrafts		**2,908**	2,959
Promissory note		—	15,456
Tax payable		**3,265**	3,948
		70,215	87,930
Total equity and liabilities		**407,735**	327,653
Net current assets		**226,204**	133,795
Total assets less current liabilities		**337,520**	239,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 and trading of rubber and garment accessories.

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 ("GEM") on 29 September 2010. On 25 August 2014, the Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. 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 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) — Int 21 Levies

The Group has applied HK(IFRIC) — Int 21 Levies for the first time in the current year. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation impliesthat an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with early application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon inital application but is not yet in a position to state whether the above HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

The directors of the Company anticipate that the application of other HKFRSs will have no material impact on the results and the financial positions of the Group.

3. 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**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Sales to external customers	**187,489**	354,650	**169,762**	188,727	**357,251**	543,377
Segment results	**1,650**	3,579	**24,997**	26,828	**26,647**	30,407
Unallocated corporate income					**8,709**	23,351
Unallocated corporate expenses					**(3,138)**	(3,495)
Profit from operations					**32,218**	50,263
Finance costs					**(2,708)**	(2,637)
Profit before tax					**29,510**	47,626

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2014 and 2013.

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, fair value change on held-for-trading investments, fair value change on derivative financial liability 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**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS						
Segment assets	**88,340**	116,147	**213,105**	182,778	**301,445**	298,925
Unallocated corporate assets					**106,290**	28,728
Total assets					**407,735**	327,653
LIABILITIES						
Segment liabilities	**18,236**	28,893	**54,467**	42,880	**72,703**	71,773
Unallocated corporate liabilities					**1,912**	16,157
Total liabilities					**74,615**	87,930

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. Goodwill is allocated to supply and procurement segment.

— all liabilities are allocated to reportable segments other than corporate financial liabilities including derivative financial liability, 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	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Capital expenditure	**—**	4,572	**8,710**	5,983	**8,710**	10,555
Depreciation of property, plant and equipment	**1**	1	**4,347**	4,827	**4,348**	4,828
Depreciation of investment property	**134**	—	**—**	—	**134**	—
Amortisation of prepaid land lease payments	**—**	—	**73**	73	**73**	73
Inventories written off	**—**	—	**39**	26	**39**	26
Impairment loss recognised in respect of trade receivables	**34**	—	**27**	198	**61**	198

Revenue from major products and services

Information about the Group's major products is set out in Note 4.

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*	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**321,501**	494,042	**54,530**	49,016
Hong Kong	**30,065**	43,690	**4,440**	4,566
Overseas *(Note)*	**5,685**	5,645	**—**	—
	357,251	543,377	**58,970**	53,582

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

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

Information about major customers

For the year ended 31 December 2014, revenue generated from one (2013: one) customer of the Group amounting to approximately RMB41,264,000 (2013: RMB57,549,000) 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 2014 and 2013.

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

	2014	2013
	RMB'000	*RMB'000*
Customer A	—	57,549
Customer B *(Note)*	**41,264**	—

Note:

No information on revenue for the current year is disclosed for this customer since it did not contribute 10% or more to the Group's revenue for the year ended 31 December 2013.

4. 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:

	2014	2013
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
— Sales of automotive floor carpets	**95,223**	108,117
— Sales of other automotive parts	**74,539**	80,610
Sales of rubber	**153,535**	332,668
Sales of garment accessories	**33,954**	20,923
Sales of food products	—	1,059
	357,251	543,377

5. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Interest income	**92**	32
Technical support income	**1,664**	1,117
Consultancy fee income	**951**	662
Fair value gain on held-for-trading investments	**8,494**	23,319
Rental income	**166**	—
Others	**497**	232
	11,864	25,362

6. PROFIT FROM OPERATIONS

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

	2014	2013
	RMB'000	*RMB'000*
Auditors' remuneration	**955**	798
Amortisation of prepaid land lease payments	**73**	73
Depreciation of property, plant and equipment	**4,348**	4,828
Depreciation of investment property	**134**	—
Operating lease rentals in respect of rented premises	**996**	473
Staff costs including directors' remuneration:		
— Salaries and other benefits	**12,428**	11,432
— Retirement benefits scheme contributions	**3,595**	2,863
Cost of inventories recognised as cost of sales	**296,007**	467,863
Loss on disposal of property, plant and equipment	**1**	1
Inventories written off	**39**	26
Impairment loss recognised on trade receivables	**61**	198
Research and development expenditure	**8,977**	7,356

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**2,066**	1,799
Interest expenses on bank overdrafts	**136**	82
Interest expenses on promissory note	**506**	756
	2,708	2,637

8. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**1,397**	1,383
PRC enterprise income tax ("**EIT**")	**2,276**	3,707
	3,673	5,090
Overprovision for in previous years		
PRC EIT	**(43)**	(297)
Deferred tax		
Current year	**—**	(211)
	3,630	4,582

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 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"). On 22 December 2009, Joystar Wuxi obtained the "Certificate of Innovative and High-end Technology Enterprise" with validity period of three years. The IHT Enterprise Rate enjoyed by Joystar Wuxi was expired in December 2012. 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 2014 is 15% (2013: 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 RMB25,880,000 (2013: RMB43,044,000) and the weighted average number of ordinary shares of 1,213,229,589 (2013: 1,123,200,000) in issue during the year.

Diluted earnings per share

For the years ended 31 December 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 years ended 31 December 2014 and 2013.

10. DIVIDEND

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2014 (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:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**65,890**	62,116
91 to 180 days	**14,507**	9,743
181 to 365 days	**4,266**	2,643
Over 365 days	**2,092**	1,460
	86,755	75,962

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days (2013: 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 2013, 31 December 2013, 1 January 2014 and 31 December 2014		10,000,000,000	1,000,000	863,495
Issued and fully paid:				
At 1 January 2013		1,080,000,000	108,000	89,086
Issue of consideration shares	*(a)*	72,000,000	7,200	5,743
At 31 December 2013 and 1 January 2014		1,152,000,000	115,200	94,829
Issue of shares by way of placing	*(b)*	230,400,000	23,040	18,233
At 31 December 2014		**1,382,400,000**	**138,240**	**113,062**

Note:

(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.

(b) On 26 September 2014, the Company issued 230,400,000 shares at the price of HK$0.38 each by way of placing.

13. TRADE PAYABLES

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**14,712**	17,966
91 to 180 days	**5,751**	54
181 to 365 days	**92**	250
Over 365 days	**1,619**	2,053
	22,174	20,323

14. EVENTS AFTER THE REPORTING PERIOD

There has not been significant events took place subsequent to 31 December 2014.

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 and garment accessories. The Group also deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends.

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 19,920,000 units and 19,700,000 units respectively during 2014, representing an increase of approximately 10.2% and 9.9%. These growth in passenger vehicles market resulted in a stable demand for automotive interior decoration materials of the Group during 2014. However, as a result of increasing competition in the industries, there is an decrease trend in average selling prices of certain nonwoven fabric products of the Group since last quarter of 2014.

Supply and procurement operation

The Group commenced its business of rubber trading since 2012 for the purposes to explore the potential to offer the products to upstream manufacturers in the automotive industry. Operationally, the Group imported raw rubber and sold to customers and traders in the PRC. The international market price of rubber decreased during 2014 and its quoted price was varied according to the tendency of the commodities markets. To manage the risk, the Group mainly carried out that business in back-to-back model and since the significant decrease in price of top commodities, crude oil, in the second half of 2014, the Group only accepted the higher profit margin orders with lower default risk and caused a decrease in revenue of that business.

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. The business of trading of garment accessories continuously generated a stable income stream to the Group during 2014.

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.

Transfer of listing

The Group has been successfully transferred listing from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 August 2014. The Board believes that the transfer of listing will enhance the profile of the Company and increase the trading liquidity of the shares of the Company and recognitions by potential investors. The Board considers that the listing of the shares of the Company on the Main Board will be beneficial to the future growth and business development of the Group.

Financial Review

Revenue

The Group's revenue for the years ended 31 December 2014 and 2013 was illustrated as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
— Sales of automotive floor carpets	**95,223**	108,117
— Sales of other automotive parts	**74,539**	80,610
Sales of rubber	**153,535**	332,668
Sales of garment accessories	**33,954**	20,923
Sales of food products	**—**	1,059
	357,251	543,377

For the year ended 31 December 2014, the Group's revenue decreased to approximately RMB357.3 million, compared to approximately RMB543.4 million in 2013, representing a decrease of approximately 34.3%. The decrease in the Group's revenue was mainly attributable to the decrease in revenue of sales of rubber.

Gross profit

The gross profit of the Group maintained stable in 2014. Trading of rubber requires low value-added services and therefore its gross profit margin is generally lower than the business of manufacturing. The decrease in revenue in the business of rubber trading caused an increase in profit margin of the Group for the year ended 31 December 2014 to approximately 14.0%.

Other income

The Group's other income decreased by approximately RMB13.5 million from approximately RMB25.4 million for the year ended 31 December 2013 to approximately RMB11.9 million for the year ended 31 December 2014. The decrease was mainly due to the decrease in fair value gain on held-for-trading investments by approximately RMB14.8 million. At 31 December 2014, the held-for-trading investments of approximately RMB68.5 million only comprised of securities from companies listed on the Stock Exchange of Hong Kong.

Share of loss of an associate

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 the production facilities took time to improve the production efficiency to the optimal production level.

Administrative expenses

The administrative expenses increased by approximately RMB2.4 million from approximately RMB15.5 million in 2013 to approximately RMB17.9 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in the Group's corporate expenses in relation to the transfer of listing of shares of the Company during 2014.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company was approximately RMB25.9 million for the year of 2014 compared with approximately RMB43.0 million for the corresponding period of 2013. The decrease was mainly due to the decrease in fair value gain on held-for-trading investments.

OUTLOOK

Although CAAM forecasts the sale of passenger vehicles in the PRC will increase by 8% in 2015, the Board expects that the year 2015 will be a challenging year for the business of manufacture and sale of nonwoven products as the continuously increase in production costs for maintaining competitiveness and enhancing safety requirements to cope with the development of the automotive industry. To maintain its income stream, the Group will still 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; and

(4) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric industry in the PRC.

Although trading of rubber yielded stable return, the increasing risk of volatility in rubber price since the deterioration in price of crude oil, the Group will be cautious in accepting orders to avoid any downside exposure.

In order to have a better use of the Group's fund, the Group increased its financial resource on the business of securities investment and recorded a gain arising from fair value changes of held-for-trading investment during the period under review. The Board will closely monitor the portfolio of investment to reduce the risks during the unexpected market fluctuations in the future.

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

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current assets	**296,419**	221,725
Current liabilities	**70,215**	87,930
Current ratio	**4.22**	2.52

The current ratio of the Group at 31 December 2014 was 4.22 times as compared to that of 2.52 times at 31 December 2013. It was mainly resulted from the net proceeds of placing of new shares of the Company during 2014.

At 31 December 2014, the Group's gearing ratio (represented by totals of bank borrowings and bank overdrafts divided by summation of total bank borrowings, bank overdrafts and equity) amounted to approximately 10.2% (2013: 16.5%).

TREASURY POLICY

The Group generally financed its operations by internal cash resources and bank financing. On 26 September 2014, the Company placed and allotted 230,400,000 shares at HK$0.38 to independent investors. The net proceeds of the placing was approximately RMB67.2 million.

At 31 December 2014, cash and bank balances of the Group amounted to approximately RMB69.4 million (2013: RMB51.5 million), and approximately RMB42.4 million (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.

CAPITAL STRUCTURE

Except 230,400,000 shares of the Company were issued and allotted on 26 September 2014, there has been no material change in the capital structure of the Group since 31 December 2013.

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

SIGNIFICANT INVESTMENTS

At 31 December 2014, there was no significant investment held by the Group (2013: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2014.

PLEDGE ON ASSETS

At 31 December 2014, the Group's buildings and investment property with a carrying amounts of approximately RMB11.3 million (2013: RMB11.7 million), prepaid land lease payments with a carrying amounts of approximately RMB2.8 million (2013: RMB2.9 million), bank deposits with a carrying amounts of approximately RMB nil million (2013: RMB6.1 million) and properties provided by a director of a subsidiary were pledged to banks for bank borrowings and bank overdrafts.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2014, the Group employed a total of 178 employees (2013: 173). 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.

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 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.

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.

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 the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the 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 year.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("Code") in Appendix 14 to the Listing Rules. Except for the deviation from Code provision A.2.1 and A.6.7, the Company complied with the Code for the year ended 31 December 2014.

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

AUDIT COMMITTEE

The Company established an audit committee on 13 September 2010 with written terms of reference in compliance with the Listing Rules. At 31 December 2014, 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 2014 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 Order of the Board
China Automotive Interior Decoration Holdings Limited
Zhuang Yuejin
Chairman

Hong Kong, 30 March 2015

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