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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of Directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the Company”) is pleased to announce the following unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with the comparative figures for the preceding financial six months ended 30 June 2014.

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

For the six months ended 30 June 2015

		Six months ended	
		30 June	
		2015	2014
	<i>Note</i>	(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Revenue	4	105,611	182,096
Cost of sales		<u>(88,698)</u>	<u>(158,786)</u>
Gross profit		16,913	23,310
Other income	5	454,087	6,762
Selling and distribution costs		(4,861)	(4,826)
Share of loss of an associate		(4,080)	(1,607)
Gain recognised on disposal of subsidiaries	10	3,709	—
Administrative expenses		<u>(9,496)</u>	<u>(8,149)</u>
Profit from operations	7	456,272	15,490
Finance costs	8	<u>(990)</u>	<u>(1,524)</u>
Profit before tax		455,282	13,966
Income tax expense	9	<u>(997)</u>	<u>(1,903)</u>
Profit for the period attributable to the owners of the Company		<u>454,285</u>	<u>12,063</u>
Profit for the period		454,285	12,063
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>(3,115)</u>	<u>503</u>
Total other comprehensive (loss)/income for the period		<u>(3,115)</u>	<u>503</u>
Total comprehensive income for the period attributable to the owners of the Company		<u>451,170</u>	<u>12,566</u>
		RMB	RMB
Earnings per share	11		
Basic		<u>32.9 cents</u>	<u>1.05 cents</u>
Diluted		<u>32.9 cents</u>	<u>1.05 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		43,891	45,661
Investment properties		—	4,424
Prepaid land lease payments		2,735	2,771
Deferred tax assets		1,247	1,247
Interest in an associate		2,034	6,114
Goodwill		21,847	51,099
		<u>71,754</u>	<u>111,316</u>
Current assets			
Prepaid land lease payments		73	73
Inventories		16,149	15,896
Trade receivables	13	76,923	86,755
Notes receivables		15,133	6,037
Prepayments, deposits and other receivables		35,763	43,614
Held-for-trading investments		564,007	68,486
Pledged bank deposit		6,091	6,137
Cash and bank balances		66,266	69,421
		<u>780,405</u>	<u>296,419</u>
Total assets		<u>852,159</u>	<u>407,735</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	113,062	113,062
Reserves		670,717	220,058
Total equity		<u>783,779</u>	<u>333,120</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings		—	4,400
Current liabilities			
Trade payables	15	28,725	22,174
Derivative financial liability		—	1,000
Accruals, other payables and deposits received		7,521	10,368
Bank borrowings	16	29,500	30,500
Bank overdrafts		—	2,908
Tax payable		2,634	3,265
		<u>68,380</u>	<u>70,215</u>
Total equity and liabilities		<u>852,159</u>	<u>407,735</u>
Net current assets		<u>712,025</u>	<u>226,204</u>
Total assets less current liabilities		<u>783,779</u>	<u>337,520</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 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>
At 1 January 2015	113,062	72,970	5,992	695	11,818	128,583	333,120
Profit for the period	—	—	—	—	—	454,285	454,285
Other comprehensive loss for the period	—	—	—	(3,115)	—	—	(3,115)
Total comprehensive (loss)/income for the period	—	—	—	(3,115)	—	454,285	451,170
Disposal of subsidiaries (note 10)	—	—	—	(511)	—	—	(511)
At 30 June 2015	<u>113,062</u>	<u>72,970</u>	<u>5,992</u>	<u>(2,931)</u>	<u>11,818</u>	<u>582,868</u>	<u>783,779</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 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 interim financial statements for the six months ended 30 June 2015 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules and with HKAS 34 issued by the HKICPA.

The Interim Financial Statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

The Interim Financial Statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the impact of the adoption of the new and revised HKASs, Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2015.

HKAS 19	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these Interim Financial Statements and/or disclosures set out in these Interim Financial Statements.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective, in these Interim Financial Statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group’s operation and may result in changes in the Group’s accounting policies, and changes in presentation and measurement of certain items of the Group’s financial information.

4. 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.

	Six months ended 30 June	
	2015 (Unaudited) RMB’000	2014 (Unaudited) RMB’000
Nonwoven fabric for use in automotive interior decoration parts and other parts	79,054	80,427
Sales of rubber	12,847	87,452
Sales of garment accessories	13,710	14,217
	<u>105,611</u>	<u>182,096</u>

5. OTHER INCOME

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Interest income	122	45
Technical support income	—	710
Consultancy fee income	124	394
Fair value gain on held-for-trading investments	448,600	5,481
Reversal of impairment loss on trade receivables	3,191	—
Sundry income	2,050	132
	<u>454,087</u>	<u>6,762</u>

6. 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	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Segment revenue:						
Sales to external customers	<u>26,557</u>	<u>101,669</u>	<u>79,054</u>	<u>80,427</u>	<u>105,611</u>	<u>182,096</u>
Segment results	<u>3,075</u>	<u>519</u>	<u>1,505</u>	<u>10,684</u>	<u>4,580</u>	<u>11,203</u>
Unallocated corporate income					447,989	5,526
Unallocated corporate expenses					<u>(6)</u>	<u>(1,239)</u>
					452,563	15,490
Gain recognised on disposal of subsidiaries					3,709	—
Finance costs					<u>(990)</u>	<u>(1,524)</u>
Profit before tax					<u>455,282</u>	<u>13,966</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2015 and 2014.

Segment assets and liabilities

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2015 (Unaudited) RMB'000	2014 (Audited) RMB'000	2015 (Unaudited) RMB'000	2014 (Audited) RMB'000	2015 (Unaudited) RMB'000	2014 (Audited) RMB'000
ASSETS						
Segment assets	49,481	88,340	323,485	213,105	372,966	301,445
Unallocated corporate assets					<u>479,193</u>	<u>106,290</u>
Total assets					<u>852,159</u>	<u>407,735</u>
LIABILITIES						
Segment liabilities	13,115	18,236	52,785	54,467	65,900	72,703
Unallocated corporate liabilities					<u>2,480</u>	<u>1,912</u>
Total liabilities					<u>68,380</u>	<u>74,615</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 accruals and other payables.

7. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Depreciation of property, plant and equipment	2,800	2,621
Amortisation of prepaid land lease payments	36	18
Directors' remuneration	947	631
Operating lease rentals in respect of rented premises	540	528
Cost of inventories recognised as cost of sales	84,617	143,176
Research and development expenditure	3,659	5,121
Staff costs (including directors' remuneration)		
— Salaries and other benefits	5,173	6,005
— Retirement benefits scheme contributions	1,542	1,142
	6,715	7,147

8. FINANCE COSTS

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Interest expenses on bank borrowings wholly repayable		
— within five years	990	916
— beyond five years	—	22
Interest expenses on bank overdrafts	—	80
Interest expenses on promissory note	—	506
	990	1,524

9. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Hong Kong	353	469
PRC enterprise income tax (“EIT”)	644	1,547
	<u>997</u>	<u>2,016</u>
Deferred tax	—	(113)
	<u>997</u>	<u>1,903</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 2015 and 2014.

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 2015 is 15% (six months ended 30 June 2014: 15%).

10. GAIN RECOGNISED ON DISPOSAL OF SUBSIDIARIES

On 26 May 2015, the Group entered into sale and purchase agreement to dispose 100% equity interest in Oriental Strategy Limited and its subsidiary to a listed company in Hong Kong (the "Purchaser") at a consideration of HK\$45 million, which were satisfied in full by the issue of the ordinary shares of the Purchaser. The disposal was completed on 16 June 2015. Summary of the effects of disposal is as follows:

Consideration received

	Six months ended 30 June 2015 RMB'000
Consideration shares received	<u>40,054</u>
Total consideration received	<u><u>40,054</u></u>

Analysis of asset and liabilities over which control was lost

	RMB'000
<i>Current assets</i>	
Cash and cash equivalents	194
Trade receivables	15,492
<i>Non-current assets</i>	
Investment properties	4,795
<i>Current liabilities</i>	
Trade and other payables	(3,185)
Bank borrowings	(4,907)
Bank overdrafts	(4,398)
Tax payable	(53)
Derivative financial liability	<u>(334)</u>
Net assets disposed of	<u><u>7,604</u></u>

Gain on disposal of subsidiaries

**Six months
ended
30 June
2015
RMB'000**

Consideration received	40,054
Net assets disposed of	(7,604)
Release of goodwill	(29,252)
Release of foreign currency translation reserve	511
	<hr/>
Gain on disposal	3,709
	<hr/> <hr/>

Net cash inflow on disposal of subsidiaries

**Six months
ended
30 June
2015
RMB'000**

Consideration received by cash	—
Less: cash and cash equivalent balances disposed of	(194)
Add: Bank overdrafts disposed of	4,398
	<hr/>
	4,204
	<hr/> <hr/>

11. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2015 are based on the unaudited condensed consolidated profit of approximately RMB454,285,000 attributable to the owners of the Company respectively (six months ended 30 June 2014: RMB12,063,000) and the weighted average number of ordinary shares of 1,382,400,000 in issue during six months ended 30 June 2015 (weighted average number of ordinary shares in issue during the six months ended 30 June 2014: 1,152,000,000).

For the six months ended 30 June 2015 and 2014, 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 six months ended 30 June 2015 and 2014.

12. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

13. 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 to 90 days	54,656	65,890
91 to 180 days	12,313	14,507
181 to 365 days	9,706	4,266
Over 365 days	248	2,092
	76,923	86,755

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 days to 120 days (2014: 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.

14. 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 2014, 30 June 2014, 31 December 2014 and 30 June 2015		<u>10,000,000,000</u>	<u>1,000,000</u>	<u>863,495</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1 January 2014 and 30 June 2014		1,152,000,000	115,200	94,829
Issue of shares upon of placing	<i>(a)</i>	<u>230,400,000</u>	<u>23,040</u>	<u>18,233</u>
At 31 December 2014 and 30 June 2015		<u>1,382,400,000</u>	<u>138,240</u>	<u>113,062</u>

Notes:

- (a) On 17 September 2014, the Company and a placing agent entered into the placing agreement pursuant to which the placing agent agreed to place to not less than six independent placees for up to 230,400,000 new shares at a price of HK\$0.38 per placing share. The placing have been completed on 26 September 2014.

15. TRADE PAYABLES

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 to 90 days	23,160	14,712
91 to 180 days	11	5,751
181 to 365 days	3,848	92
Over 365 days	<u>1,706</u>	<u>1,619</u>
	<u>28,725</u>	<u>22,174</u>

16. BANK BORROWINGS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Current		
Bank loans, secured	<u>29,500</u>	<u>30,500</u>
Non-current		
Bank loans, secured	<u>—</u>	<u>4,400</u>

The maturities of the above bank borrowings are as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Carrying amount repayable:		
— within one year	29,500	30,500
— more than one year but within two years	—	684
— more than two years but within five years	—	1,185
— more than five years	—	2,531
Secured bank loan	29,500	34,900
<i>Less:</i> Amounts classified under current liabilities		
Secured bank loan that contain a repayment on demand clause or due within one year	<u>29,500</u>	<u>(30,500)</u>
Amounts classified under non-current liabilities	<u>—</u>	<u>4,400</u>

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

17. OPERATING LEASE COMMITMENT

At 30 June 2015, the Group had commitments for the future minimum lease payments under non-cancellable operating leases within fall due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	568	1,077
In the second to fifth years inclusive	638	1,096
	<u>1,206</u>	<u>2,173</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 2014: 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.

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	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Salaries and other short-term benefits	917	599
Employer contribution to pension scheme	30	32
	<u>947</u>	<u>631</u>

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 and other parts, trading of rubber. The Group also deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends. During the six months ended 30 June 2015, the Group disposed the business of trading of garment accessories.

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 latest statistics released from China Association of Automobile Manufacturers ("CAAM"), the production and sales of passenger vehicles in the PRC were approximately 11,620,000 units and 11,360,000 units respectively for the seven months ended 30 July 2015, representing a decrease of approximately 11.6% and 6.6%. As a result of increasing competition in the automotive industry, there was a decrease trend in profit margin of certain nonwoven fabric products of the Group during the six months ended 30 June 2015.

Supply and procurement operation

The Group commenced its business of rubber trading since 2012 and the quoted price of rubber was generally 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. As the significant decrease in price of top commodities, crude oil, since the second half of 2014, the Group only accepted the orders with lower default risk and caused a significant decrease in revenue of that business.

Disposal of business of trading of garment accessories

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.

As a result of the constantly increasing costs of sales and competition, the business of trading of garment accessories was not expected to grow at its current rate without further investments and developments. On 26 May 2015, the Company disposed the business of trading of garment accessories (the “Disposal”) to a listed company in Hong Kong (the “Purchaser”) at a consideration of HK\$45 million, which were satisfied in full by the issue of the ordinary shares of the Purchaser. The Disposal was completed on 16 June 2015 and the Company recognized a gain on disposal in the amount of approximately RMB3.7 million.

Placing of new shares

On 30 June 2015, the Company entered into a placing agreement with a placing agent pursuant to which it agreed to procure independent placees to subscribe for an aggregate of 276,480,000 new shares in the Company (the “Placing”). On 9 July 2015, the Company entered into a side letter agreement (the “Side Letter Agreement”) with the placing agent to revise the placing price to HK\$0.345 per placing share. The closing price of the share of the Company was HK\$0.39 as quoted on the Stock Exchange of Hong Kong on 9 July 2015, being the date of the Side Letter Agreement. On 21 July 2015, the Placing was completed where a total of 276,480,000 new shares were issued. Net proceeds from the Placing was approximately HK\$94.2 million which was intended to be used i) for the acquisition and renovation of plants and machineries for its manufacture and sale of nonwoven fabric products business, ii) for the financing of business of trading of rubber and iii) for the potential acquisition of the business of manufacturing of various types of PBS polybutylene succinate (“PBS”) and PBS copolymer.

Financial Review

Revenue

The Group’s revenue for the six months ended 30 June 2015 and 2014 was illustrated as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Nonwoven fabric for use in automotive interior decoration parts and other parts	79,054	80,427
Sales of rubber	12,847	87,452
Sales of garment accessories	13,710	14,217
	<u>105,611</u>	<u>182,096</u>

For the six months ended 30 June 2015, the Group's revenue decreased to approximately RMB105.6 million, compared to approximately RMB182.1 million in the corresponding period in 2014, representing a decrease of approximately 42.0%. The decrease in the Group's revenue was mainly attributable to the decrease in revenue of sales of rubber.

Gross profit

During the period under review, the gross profit of the Group decreased by RMB 6.4 million to approximately RMB16.9 million. The decrease was mainly due to the drop in revenue of the Group. On the other hand, 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 six months ended 30 June 2015 to approximately 16.0%.

Other income

The Group's other income increased by approximately RMB447.3 million from approximately RMB6.8 million for the six months ended 30 June 2014 to approximately RMB454.1 million for the six months ended 30 June 2015. The increase was mainly due to the increase in fair value gain on held-for-trading investments by approximately RMB443.1 million. At 30 June 2015, the held-for-trading investments of approximately RMB564.0 million mainly comprised of securities from companies listed on the Stock Exchange of Hong Kong. In addition, as a result of recent weakness in the stock market, subsequently on 31 August 2015, the approval date for issuance of these unaudited condensed consolidated financial statements, the fair value of the held-for-trading investments has decreased by approximately 23.5% as compared to the fair value of the held-for-trading investments at 30 June 2015.

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. As a result of general slowdown in growth in the domestic demand for automobiles in the PRC and intensified price competitions, the associated company continuously incurred loss during the period under review.

Administrative expenses

The administrative expenses increased by approximately RMB1.4 million from approximately RMB8.1 million to approximately RMB9.5 million for the six months ended 30 June 2015. The increase was mainly attributable to the increase in the Group's corporate expenses after the transfer of listing of shares of the Company since the second half of 2014.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company was approximately RMB454.3 million for the six months ended 30 June 2015 compared with approximately RMB12.1 million for the corresponding period of 2014. The increase was mainly due to the change in fair value gain on held-for-trading investments.

Outlook

The Board expects that the year 2015 will be a challenging year for the business of manufacture and sale of nonwoven products as the slowdown in growth in the domestic demand for automobiles in the PRC since July 2015, and 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.

As a result of the increasing risk of volatility in rubber price since the deterioration in price of crude oil, the Group would 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.

On 24 August 2015, the Group entered into a memorandum of understanding with an intention to acquire the business of manufacturing of various types of PBS and PBS copolymer ("Possible Acquisition"). The Group would perform due diligence review of the business before further proceed the Possible Acquisition.

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Current assets	780,405	296,419
Current liabilities	68,380	70,215
Current ratio	<u>11.41</u>	<u>4.22</u>

The current ratio of the Group at 30 June 2015 was 11.41 times as compared to that of 4.22 times at 31 December 2014.

At 30 June 2015, 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 3.6% (31 December 2014: 10.2%).

TREASURY POLICY

The Group generally financed its operations by internal cash resources and bank financing. Subsequently on 21 July 2015, the Company placed and allotted 276,480,000 shares at HK\$0.345 to independent investors. The net proceeds of the placing was approximately RMB74.9 million.

At 30 June 2015, cash and bank balances of the Group amounted to approximately RMB66.3 million (31 December 2014: RMB69.4 million), and approximately RMB38.0 million (31 December 2014: RMB42.4 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 2015, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CAPITAL STRUCTURE

Except 276,480,000 shares of the Company were issued and allotted on 21 July 2015, there has been no material change in the capital structure of the Group since 31 December 2014.

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 2015.

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 the Main Board 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 2015.

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 as set out in Appendix 10 to the Main Board 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 2015.

CORPORATE GOVERNANCE

Except for the deviations set out below, the Company has complied with the code provisions as set out in the Corporate Governance Code ("Code") in Appendix 14 to the Main Board Listing Rules for the six months ended 30 June 2015.

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 2015, there are two 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 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 5 June 2015.

Rules 3.10(1) and 3.21 of the Main Board Listing Rules

Rule 3.10(1) of the Main Board Listing Rules stipulates that the Board must include at least three independent non-executive Directors. Rule 3.21 of the Main Board Listing Rules stipulates that the audit committee must comprise a minimum of 3 members. Following the retirement of Mr. Feng Xueben on 5 June 2015, the number of independent non-executive Directors, and audit committee members has fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Main Board Listing Rules. In order to comply with the Main Board Listing Rules, the Company is endeavoring to identify a suitable candidate to fill the vacancies within three months from 5 June 2015.

SIGNIFICANT INVESTMENTS

At 30 June 2015, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

Except the disposal of business of trading of garment accessories on 26 May 2015, there was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the six months ended 30 June 2015.

PLEDGE ON ASSETS

At 30 June 2015, the Group secured its bank loans by buildings with a carrying amounts of approximately RMB6.7 million, bank deposit of approximately RMB6.1 million and prepaid land lease payments with a carrying amounts of approximately RMB2.8 million.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2015, the Group employed a total of 163 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 2015, the nomination committee comprises one executive Director, namely Mr. Zhuang Yuejin, and one independent non-executive Directors, namely Mr. Mak Wai Ho. 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 2015, 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 Code. At 30 June 2015, the audit committee comprises two members, namely Mr. Mak Wai Ho 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 six months ended 30 June 2015 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 2015, the Board comprises three executive Directors and two independent non-executive Directors as follows:

Executive Directors

Mr. Zhuang Yuejin (*Chairman*)

Mr. Wong Ho Yin

Ms. Xiao Suni

Independent non-executive Directors

Mr. Mak Wai Ho

Ms. Sung Kwan Wun

By the order of the Board

China Automotive Interior Decoration Holdings Limited

Zhuang Yuejin

Chairman

Hong Kong, 31 August 2015

At the date of this announcement, 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 and Ms. Sung Kwan Wun.