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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 2016

The board of Directors (the "Board") of China Automotive Interior Decoration Holdings Limited (the "Company") is pleased to announce the following unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for the preceding financial six months ended 30 June 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**83,191**	105,611
Cost of sales		**(69,587)**	(88,698)
Gross profit		**13,604**	16,913
Other gains or losses	*5*	**(85,856)**	454,087
Selling and distribution costs		**(4,652)**	(4,861)
Share of loss of an associate		**–**	(4,080)
Gain recognised on disposal of subsidiaries	*10*	**–**	3,709
Administrative expenses		**(14,937)**	(9,496)
(Loss)/profit from operations	*7*	**(91,841)**	456,272
Finance costs	*8*	**(641)**	(990)
(Loss)/profit before tax		**(92,482)**	455,282
Income tax expense	*9*	**13,968**	(997)
(Loss)/profit for the period attributable to the owners of the Company		**(78,514)**	454,285
(Loss)/profit for the period		**(78,514)**	454,285
Other comprehensive income/(loss) for the period, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**7,586**	(3,115)
Total other comprehensive income/(loss) for the period		**7,586**	(3,115)
Total comprehensive (loss)/income for the period attributable to the owners of the Company		**(70,928)**	451,170
		RMB	*RMB*
(Loss)/earnings per share			
Basic	*11*	**(5.2) cents**	32.9 cents
Diluted		**(5.2) cents**	32.9 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	Note	**30 June 2016 (Unaudited) *RMB'000***	31 December 2015 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**45,321**	49,166
Prepaid land lease payments		**2,661**	2,698
Held to maturity investment		**110,109**	–
Goodwill		**7,286**	7,286
		165,377	59,150
Current assets			
Prepaid land lease payments		**73**	73
Inventories		**15,678**	15,663
Trade receivables	*13*	**92,967**	101,531
Notes receivables		**13,072**	4,395
Prepayments, deposits and other receivables		**48,850**	52,683
Held-for-trading investments		**145,000**	336,349
Cash and bank balances		**87,284**	83,345
		402,924	594,039
Total assets		**568,301**	653,189
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*14*	**134,837**	134,837
Reserves		**356,124**	427,052
Total equity		**490,961**	561,889
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**21,472**	35,436
		21,472	35,436
Current liabilities			
Trade payables	*15*	**14,944**	12,239
Accruals, other payables and deposits received		**8,755**	10,728
Bank borrowings		**29,000**	29,500
Tax payable		**3,169**	3,397
		55,868	55,864
Total equity and liabilities		**568,301**	653,189
Net current assets		**347,056**	538,175
Total assets less current liabilities		**512,433**	597,325

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

2. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

The Interim Financial Statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 28	Investment Entitles: Applying the consolidation Exception
Amendments to HKAS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKFRS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRs	Annual Improvements to HKFRSs 2012-2014 cycle

The adoption of the revised HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Nonwoven fabric for use in automotive interior decoration parts and other parts	**77,414**	79,054
Sales of rubber	**5,777**	12,847
Sales of garment accessories	**–**	13,710
	83,191	105,611

5. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest income	**36**	122
Consultancy fee income	**–**	124
Fair value (loss)/gain on held-for-trading investments	**(88,014)**	448,600
Reversal of impairment loss on trade receivables	**–**	3,191
Sundry income	**2,122**	2,050
	(85,856)	454,087

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 Six months ended 30 June		Manufacture and sale of nonwoven fabric products Six months ended 30 June		Total Six months ended 30 June	
	2016	2015	**2016**	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Sales to external customers	**5,777**	26,557	**77,414**	79,054	**83,191**	105,611
Segment results	**666**	3,075	**(2,619)**	1,505	**(1,953)**	4,580
Unallocated corporate income					**39**	447,989
Unallocated corporate expenses					**(89,927)**	(6)
					(91,841)	452,563
Gain recognised on disposal of subsidiaries					**–**	3,709
Finance costs					**(641)**	(990)
(Loss)/profit before tax					**(92,482)**	455,282

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2016 and 2015.

Segment assets and liabilities

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	30 June 2016 (Unaudited) ***RMB'000***	31 December 2015 (Audited) *RMB'000*	**30 June 2016 (Unaudited)** ***RMB'000***	31 December 2015 (Audited) *RMB'000*	**30 June 2016 (Unaudited)** ***RMB'000***	31 December 2015 (Audited) *RMB'000*
ASSETS						
Segment assets	**57,462**	55,846	**219,287**	256,061	**276,749**	311,907
Unallocated corporate assets					**291,552**	341,282
Total assets					**568,301**	653,189
LIABILITIES						
Segment liabilities	**2,113**	1,746	**51,954**	52,355	**54,067**	54,101
Unallocated corporate liabilities					**23,273**	37,199
Total liabilities					**77,340**	91,300

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, held to maturity investment and corporate cash and bank balances.

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

7. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is stated after charging the following:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**3,083**	2,800
Amortisation of prepaid land lease payments	**36**	36
Directors' remuneration	**1,112**	947
Operating lease rentals in respect of rented premises	**438**	540
Cost of inventories recognised as cost of sales	**50,601**	84,617
Impairment loss on trade receivables	**4,713**	–
Impairment loss on property, plant and equipment	**1,897**	–
Research and development expenditure	**3,620**	3,659
Staff costs (including directors' remuneration)		
– Salaries and other benefits	**5,591**	5,173
– Retirement benefits scheme contributions	**1,205**	1,542
	6,796	6,715

8. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable – within five years	**641**	990

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**–**	353
PRC enterprise income tax ("EIT")	**512**	644
	512	997
Deferred tax	**(14,480)**	–
	(13,968)	997

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 2016 and 2015.

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 2015, 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 July 2018. Consequently, the applicable income tax rate of Joystar Wuxi for the six months ended 30 June 2016 is 15% (six months ended 30 June 2015: 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	40,054
Total consideration received	40,054

Analysis of asset and liabilities over which control was lost

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

Gain recognised 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
Gain recognised on disposal	3,709

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
	4,204

11. (LOSS)/EARNINGS PER SHARE

The calculations of basic loss per share for the six months ended 30 June 2016 are based on the unaudited condensed consolidated loss of approximately RMB78,514,000 attributable to the owners of the Company respectively (six months ended 30 June 2015: profit of RMB454,285,000) and the weighted average number of ordinary shares of 1,506,627,000 in issue during six months ended 30 June 2016 (weighted average number of ordinary shares in issue during the six months ended 30 June 2015: 1,382,400,000).

For the six months ended 30 June 2016 and 2015, diluted earnings per share are the same as the basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2016 and 2015.

12. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 2016 (Unaudited) ***RMB'000***	31 December 2015 (Audited) *RMB'000*
0 to 90 days	**54,651**	60,845
91 to 180 days	**23,593**	13,191
181 to 365 days	**8,239**	24,232
Over 365 days	**6,484**	3,263
	92,967	101,531

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 days to 120 days (2015: 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

	Note	**Number of Shares**	**Amount** *HK$'000*	**Amount** *RMB'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016		10,000,000,000	1,000,000	863,495
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January 2015 and 30 June 2015		1,382,400,000	138,240	113,062
Issue of shares upon of placing	*(a)*	276,480,000	27,648	21,775
At 31 December 2015 and 30 June 2016		1,658,880,000	165,888	134,837

Notes:

(a) On 9 July 2015, 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 276,480,000 new shares at a price of HK$0.345 per placing share. The placing have been completed on 21 July 2015.

15. TRADE PAYABLES

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

	30 June 2016 (Unaudited) ***RMB'000***	31 December 2015 (Audited) *RMB'000*
0 to 90 days	**6,408**	10,444
91 to 180 days	**3,815**	102
181 to 365 days	**3,027**	25
Over 365 days	**1,694**	1,668
	14,944	12,239

16. 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 statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles in the PRC were approximately 11,099,000 units and 11,042,000 units respectively for the six months ended 30 June 2016, representing a slightly increase of approximately 7.3% and 9.2%. However, as a result of increasing competition in the automotive industry, there was a decrease trend in sales and profit margin of certain nonwoven fabric products of the Group during the six months ended 30 June 2016.

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 2014, the Group only accepted the orders with lower default risk and caused a significant decrease in revenue of that business.

Financial review

Revenue

The Group's revenue for the six months ended 30 June 2016 and 2015 was illustrated as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Nonwoven fabric for use in automotive interior decoration parts and other parts	**77,414**	79,054
Sales of rubber	**5,777**	12,847
Sales of garment accessories	**–**	13,710
	83,191	105,611

For the six months ended 30 June 2016, the Group's revenue decreased to approximately RMB83.2 million, compared to approximately RMB105.6 million in the corresponding period in 2015, representing a decrease of approximately 21.2%. The decrease in the Group's revenue was mainly attributable to the decrease in revenue of sales of garment accessories as a result of the disposal of business of garment accessories during May 2015.

Gross Profit

During the period under review, the gross profit of the Group decreased by RMB 3.3 million to approximately RMB13.6 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 and the disposal of business of garment accessories caused an slightly increase in profit margin of the Group for the six months ended 30 June 2016 to approximately 16.4%.

Administrative expenses

The administrative expenses increased by approximately RMB5.4 million from approximately RMB9.5 million to approximately RMB14.9 million for the six months ended 30 June 2016. The increase was mainly attributable to the provision for impairment loss on property, plant and equipment and trade receivables.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB78.5 million for the six months ended 30 June 2016 compared with a profit of approximately RMB454.3 million for the corresponding period of 2015. The loss was mainly due to the fair value loss on held-for-trading investments.

Outlook

The Board expects that the year 2016 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.

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.

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.

SIGNIFICANT INVESTMENTS

At 30 June 2016, the Group held a discretionary investment fund ("Discretionary Fund"), as Held to maturity investment and approximately 511.2 million shares (approximately 0.7%) of China Jicheng Holdings Limited ("CJH"), as Held-for-trading investments. Discretionary Fund is managed by a corporation licensed under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong). The shares of CJH are listed on the Main Board of Stock Exchange. The Group's investment in Discretionary Fund and CJH were collectively referred to as the "Significant Investments".

Detail of the Significant Investments are as follows:

	Six months ended 30 June 2016	At 30 June 2016		At 31 December 2015
	Fair value loss	**Fair Value**	**Approximate percentage to the net assets**	**Fair Value**
	RMB'000	*RMB'000*		*RMB'000*
Discretionary Fund	39,780	110,109	22.4%	–
CJH	24,848	89,651	18.3%	260,747

The investment objective of Discretionary Fund is to generate income and/or achieve capital appreciation through investing in a variety of the authorized investments. CJH is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts. Looking ahead, the value of the Significant Investments may be susceptible to the overall equity market conditions.

Except the Significant Investments, at 30 June 2016, there was no investment held by the Group which value was more than 5% of the net assets of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
	RMB'000	*RMB'000*
Current assets	**402,924**	594,039
Current liabilities	**55,868**	55,864
Current ratio	**7.21**	10.63

The current ratio of the Group at 30 June 2016 was 7.21 times as compared to that of 10.63 times at 31 December 2015.

At 30 June 2016, 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 5.6% (31 December 2015: 5.0%).

TREASURY POLICY

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

At 30 June 2016, cash and bank balances of the Group amounted to approximately RMB87.3 million (31 December 2015: RMB83.3 million), and approximately RMB80.1 million (31 December 2015: RMB65.0 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 2016, 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 2015.

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 2016.

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 2016.

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 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 2016.

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 2016.

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. At 30 June 2016, 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, Ms. Ng Li La, Adeline and Ms. Sung Kwan Wun, were unable to attend the general meetings of the Company held on 16 February 2016 and 3 June 2016.

Rules 3.10(1), 3.21 and 3.25 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. Rule 3.25 of the Main Board Listing Rules stipulates that the remuneration committee must comprise a majority of independent non-executive Directors. Following the retirement of Ms. Sung Kwan Wun on 3 June 2016, the number of independent non-executive Directors, audit committee members and remuneration committee members has fallen below the minimum number required under Rules 3.10(1), 3.21 and 3.25 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 3 June 2016.

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 2016.

PLEDGE ON ASSETS

At 30 June 2016, the Group secured its bank loans by buildings with a carrying amounts of approximately RMB6.4 million and prepaid land lease payments with a carrying amounts of approximately RMB2.7 million.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2016, the Group employed a total of 146 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. At 30 June 2016, the nomination committee comprises one executive Director, namely Mr. Zhuang Yuejin, and two independent non-executive Directors, namely Mr. Mak Wai Ho and Ms. Ng Li La, Adeline. 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. At 30 June 2016, the remuneration committee comprises one executive Director, namely Mr. Zhuang Yuejin and one independent non-executive Director, namely Mr. Mak Wai Ho. 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. Ng Li La, Adeline 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 interim results for the six months ended 30 June 2016 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 2016, 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. Ng Li La, Adeline

By the order of the Board
China Automotive Interior Decoration Holdings Limited
Zhuang Yuejin
Chairman

Hong Kong, 30 August 2016

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. Ng Li La, Adeline.