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 2017

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 2017 together with the comparative figures for the preceding financial six months ended 30 June 2016.

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

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**94,392**	83,191
Cost of sales		**(82,060)**	(69,587)
Gross profit		**12,332**	13,604
Other gains or losses	*5*	**(214,421)**	(85,856)
Selling and distribution costs		**(5,614)**	(4,652)
Share of result of associates		**(438)**	–
Administrative expenses		**(21,348)**	(14,937)
Loss from operations	*7*	**(229,489)**	(91,841)
Finance costs	*8*	**(921)**	(641)
Loss before tax		**(230,410)**	(92,482)
Income tax expense	*9*	**(1,205)**	13,968
Loss for the period attributable to the owners of the Company		**(231,615)**	(78,514)
Loss for the period		**(231,615)**	(78,514)
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		**(2,852)**	7,586
Impairment loss arising on revaluation of available-for-sale financial assets		**(194,473)**	–
Reclassification adjustments relation to impairment loss on available-for-sale financial assets		**194,473**	–
Total other comprehensive (loss)/income for the period		**(2,852)**	7,586
Total comprehensive loss for the period attributable to the owners of the Company		**(234,467)**	(70,928)
		RMB	*RMB*
Loss per share			
Basic	*10*	**(11.6) cents**	(5.2) cents
Diluted		**(11.6) cents**	(5.2) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	**30 June 2017 (Unaudited)** *RMB'000*	31 December 2016 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**50,804**	53,265
Available-for-sale financial assets		**41,235**	235,708
Prepaid land lease payments		**2,589**	2,625
Interest in associates		**26,174**	–
Goodwill		**853**	457
		121,655	292,055
Current assets			
Prepaid land lease payments		**73**	73
Inventories		**23,098**	24,566
Trade receivables	*13*	**99,271**	133,176
Bills receivables		**6,586**	5,964
Prepayments, deposits and other receivables		**92,822**	40,759
Held-for-trading investments		**13,865**	36,514
Cash and bank balances		**44,038**	86,419
		279,753	327,471
Total assets		**401,408**	619,526
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**163,359**	163,359
Reserves		**106,189**	330,486
Total equity		**269,548**	493,845
LIABILITIES			
Current liabilities			
Trade payables	*14*	**43,948**	39,744
Accruals and other payables		**11,450**	9,108
Bank borrowings		**40,000**	39,000
Bank overdrafts		**337**	–
Tax payable		**36,125**	37,829
		131,860	125,681
Total equity and liabilities		**401,408**	619,526
Net current assets		**147,893**	201,790
Total assets less current liabilities		**269,548**	493,845

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 food products.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 Interim Financial Statements.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses

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 food products.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Nonwoven fabric for use in automotive interior decoration parts and other parts	**82,526**	77,414
Sales of rubber	**7,349**	5,777
Sales of food products	**4,517**	–
	94,392	83,191

5. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest income	**18**	36
Fair value loss on held-for-trading investments	**(21,817)**	(88,014)
Impairment loss on available-for-sale financial assets	**(194,473)**	–
Others	**1,851**	2,122
	(214,421)	(85,856)

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 food products.

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	
	2017 (Unaudited) ***RMB'000***	2016 (Unaudited) *RMB'000*	**2017 (Unaudited)** ***RMB'000***	2016 (Unaudited) *RMB'000*	**2017 (Unaudited)** ***RMB'000***	2016 (Unaudited) *RMB'000*
Segment revenue:						
Sales to external customers	**11,866**	5,777	**82,526**	77,414	**94,392**	83,191
Segment results	**2,053**	666	**(1,953)**	(2,619)	**100**	(1,953)
Unallocated corporate income					**71**	39
Unallocated corporate expenses					**(229,660)**	(89,927)
					(229,489)	(91,841)
Finance costs					**(921)**	(641)
Loss before tax					**(230,410)**	(92,482)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2017 and 2016.

Segment assets and liabilities

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS						
Segment assets	**68,055**	59,550	**253,632**	272,664	**321,687**	332,214
Unallocated corporate assets					**79,721**	287,312
Total assets					**401,408**	619,526
LIABILITIES						
Segment liabilities	**13,015**	5,464	**83,255**	84,283	**96,270**	89,747
Unallocated corporate liabilities					**35,590**	35,934
Total liabilities					**131,860**	125,681

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 available-for-sale financial assets, held-for-trading investments and corporate cash and bank balances. Goodwill is allocated to supply and procurement segments.

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

7. LOSS FROM OPERATIONS

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**3,133**	3,083
Amortisation of prepaid land lease payments	**36**	36
Directors' remuneration	**1,231**	1,112
Operating lease rentals in respect of rented premises	**871**	438
Cost of inventories recognised as cost of sales	**66,941**	50,601
Impairment loss on trade receivables	**–**	4,713
Impairment loss on property, plant and equipment	**–**	1,897
Share option expenses	**10,170**	–
Research and development expenditure	**2,944**	3,620
Staff costs (including directors' remuneration)		
– Salaries and other benefits	**7,652**	5,591
– Retirement benefits scheme contributions	**1,599**	1,205
	9,251	6,796

8. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable		
– within five years	**912**	641
Interest on bank overdrafts	**9**	–
	921	641

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**26**	–
PRC enterprise income tax ("EIT")	**1,179**	512
	1,205	512
Deferred tax	**–**	(14,480)
	1,205	(13,968)

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 2017 and 2016.

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 subsidiaries are 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 2017 is 15% (six months ended 30 June 2016: 15%).

10. LOSS PER SHARE

The calculations of basic loss per share for the six months ended 30 June 2017 are based on the unaudited condensed consolidated loss of approximately RMB231,615,000 attributable to the owners of the Company respectively (six months ended 30 June 2016: loss of RMB78,514,000) and the number of ordinary shares of 1,990,656,000 in issue during six months ended 30 June 2016 (weighted average number of ordinary shares in issue during the six months ended 30 June 2016: 1,506,627,000).

For the six months ended 30 June 2017 and 2016, diluted earnings per share are the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016.

11. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

12. ACQUISITION OF A SUBSIDIARY

On 2 May 2017, the Company entered into an agreement with independent third parties to acquire 100% of the entire issued share capital of Loyal Brands International Limited ("Loyal Brands") and its subsidiaries (the "Loyal Brands Group") and identifiable asset and liabilities of Loyal Brands Group, for a total contracted consideration of HK$1,000,000 (equivalent to approximately RMB888,000). The aggregate amount of goodwill arising as a result of the acquisition is approximately RMB396,000.

	Acquiree's carrying amount before combined and fair value (Unaudited) *RMB'000*
Net assets acquired	
Property, plant and equipment	403
Inventories	242
Trade receivables	64
Prepayments, deposits and other receivables	675
Cash and bank balances	2,346
Trade payables	(1,059)
Accrual, other payables and deposits received	(2,179)
	492
Goodwill	396
	888
Net cash inflow arising on acquisition:	
Cash paid for acquisition	(888)
Cash and bank balances acquired	2,346
	1,458

Loyal Brands Group was acquired so as to expand the Group's existing food trading business.

Goodwill arose in the acquisition of Loyal Brands Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Loyal Brands Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the six months ended 30 June 2017, is approximately RMB432,000 and revenue for the six months ended 30 June 2017 is approximately RMB4,517,000 attributable to the additional business generated by Loyal Brands Group.

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 2017	31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
0 to 90 days	**49,204**	89,516
91 to 180 days	**39,274**	26,075
181 to 365 days	**10,793**	4,174
Over 365 days	**–**	13,411
	99,271	133,176

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 days to 120 days (2016: 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. TRADE PAYABLES

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

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
0 to 90 days	**18,039**	29,013
91 to 180 days	**8,192**	6,212
181 to 365 days	**12,825**	–
Over 365 days	**4,892**	4,519
	43,948	39,744

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 and food products. 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

The Group manufactures its nonwoven fabric 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 11,483,000 units and 11,253,000 units respectively for the six months ended 30 June 2017, representing a slightly increase of approximately 3.2% and 1.6%. However, as a result of increasing competition in the automotive industry, there was a trend of decreasing gross profit margin of nonwoven fabric products of the Group during the six months ended 30 June 2017.

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.

Since the third quarter of 2016, the Group resumed the business of trading of food products to diversify its business scope and it generated steady income of the Group for the six months ended 30 June 2017.

Financial review

Revenue

The Group's revenue for the six months ended 30 June 2017 and 2016 was illustrated as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Nonwoven fabric for use in automotive interior decoration parts and other parts	**82,526**	77,414
Sales of rubber	**7,349**	5,777
Sales of food products	**4,517**	–
	94,392	83,191

For the six months ended 30 June 2017, the Group's revenue increased to approximately RMB94.4 million, compared to approximately RMB83.2 million in the corresponding period in 2016, representing an increase of approximately 13%. The increase in the Group's revenue was mainly attributable to the increase in revenue of trading of foods products.

Gross Profit

For the six months ended 30 June 2017, the gross profit of the Group decreased by RMB1.3 million to approximately RMB12.3 million. The decrease was mainly due to the drop in gross profit margin of the Group's business of manufacture and sale of nonwoven fabric products.

Other gains or losses

For the six months ended 30 June 2017, The Group's other gains or losses increased by approximately RMB128.5 million from a loss of approximately RMB85.9 million for the corresponding period of 2016 to a loss of approximately RMB214.4 million in 2017. The increase was mainly due to the recognition of impairment loss on available-for-sale financial assets of approximately RMB194.5 million. The available-for sale financial assets only composed of a discretionary investment fund ("Discretionary Fund"). Detail of the Discretionary Fund are disclosed under the paragraph "Significant Investments".

Administrative expenses

The administrative expenses increased by approximately RMB6.4 million from approximately RMB14.9 million to approximately RMB21.3 million for the six months ended 30 June 2017. The increase was mainly attributable to recognition of share option expenses of approximately RMB10.2 million.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB231.6 million for the six months ended 30 June 2017 compared with a loss of approximately RMB78.5 million for the corresponding period of 2016. The loss was mainly due to the recognition of impairment loss on available-for-sale financial assets.

Investing in GEO Securities

On 14 October 2016, the Group committed to invest in GEO Securities Limited ("GEO Securities") at a consideration of HK$30 million. GEO Securities has the licenses to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong. This investment was completed in April 2017 and classified as an "interests in associates" at 30 June 2017. The Company through a joint venture company, Prominent Alliance Limited, indirectly hold 42% of the equity interest in GEO Securities.

Outlook

The Board expects that the year 2017 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 fluctuation in price of crude oil, the Group would be cautious in accepting orders to avoid any downside exposure. Furthermore, the Group allocated the idle financial resources originally for the business of trading of rubber to expand the business of trading of foods products.

During the first half of 2017, the Group acquired Loyal Brands Group for expanding the Group's existing business of foods trading. After the Group further restructured the operations of Loyal Brands Group, the Boards expect it will contribute positively to the financial results of the Group in the near future.

On 15 August 2017, the Group obtained a license to carry on business as a money lender in Hong Kong. The Group would diversify into money lending business during the second half of 2017 in order to broaden the income sources.

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

Except the Discretionary Fund, at 30 June 2017, there was no investment held by the Group which value was more than 5% of the net assets of the Group.

Detail of the Discretionary Fund are as follows:

	Six months ended 30 June 2017	**At 30 June 2017**		**At 31 December 2016**
	Impairment loss	**Fair Value**	**Approximate percentage to the net assets**	**Fair Value**
	RMB'000	*RMB'000*		*RMB'000*
Discretionary Fund	194,473	41,235	15.3%	235,208

The Group held the Discretionary Fund as available-for-sale financial assets. The investment in the Discretionary Fund was approved by the shareholders of the Company at the general meeting of the Company held on 16 February 2016. The Discretionary Fund is managed by a corporation licensed under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong). The investment objective of the Discretionary Fund is to generate income and/or achieve capital appreciation through investing in a variety of the authorized investments.

The Group subscripted the Discretionary Fund during 2016 mainly by subscription in kind with the shares of a Hong Kong listed company, China Jicheng Holdings Limited ("CJH"). The impairment loss on the Discretionary Fund of approximately RMB194.5 million was mainly due to the decline in share price of CJH during the period under review. Looking ahead, the value of the Discretionary Fund may be susceptible to the overall equity market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Current assets	**279,753**	327,471
Current liabilities	**131,860**	125,681
Current ratio	**2.12**	2.61

The current ratio of the Group at 30 June 2017 was 2.12 times as compared to that of 2.61 times at 31 December 2016.

At 30 June 2017, the Group's gearing ratio (represented by totals of bank borrowings divided by summation of total bank borrowings and equity) amounted to approximately 13% (31 December 2016: 7.0%).

TREASURY POLICY

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

At 30 June 2017, cash and bank balances of the Group amounted to approximately RMB44.0 million (31 December 2016: RMB86.4 million), and approximately RMB27.9 million (31 December 2016: RMB81.5 million) of which are denominated in Hong Kong dollars and United States dollars. Taking into account the Group's cash reserves and recurring cash flows from its operations, the Group's financial position is stable and healthy.

FOREIGN EXCHANGE EXPOSURE

Majority of the assets and liabilities of the Group were denominated in Renminbi, United States dollars and Hong Kong dollars. At 30 June 2017, 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 2016.

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 2017.

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 2017.

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. 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 2017.

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 2017.

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 2017, there are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

Code Provision A.6.7

Code provision A.6.7 stipulates that 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. Zhu Chunyan, were unable to attend the general meetings of the Company held on 5 June 2017.

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 2017.

PLEDGE ON ASSETS

At 30 June 2017, the Group secured its bank loans by buildings with a carrying amounts of approximately RMB6.2 million and prepaid land lease payments with a carrying amounts of approximately RMB2.6 million.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2017, 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. At 30 June 2017, 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 2017, the remuneration committee comprises one executive Director, namely Mr. Zhuang Yuejin and two independent non-executive Directors, namely Mr. Mak Wai Ho and Ms. Zhu Chunyan. 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 2017, the audit committee comprises three independent non-executive Directors, namely Mr. Mak Wai Ho, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan. 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 2017 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 2017, the Board comprises three executive Directors and three 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
Ms. Zhu Chunyan

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

Hong Kong, 30 August 2017

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, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.