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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Automotive Interior Decoration Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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)

PROPOSED SHARE CONSOLIDATION

A notice convening an EGM of China Automotive Interior Decoration Holdings Limited to be held at Room Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:45 a.m. on Monday, 28 September 2020 is set out on pages 15 to 17 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of China Automotive Interior Decoration Holdings Limited in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page ii of this circular for the measures being taken to prevent and control the spread of the COVID-19 at the EGM, including but not limited to:

- **compulsory body temperature check**
- **compulsory wearing of surgical face mask**
- **no serving of refreshments or drinks**

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue.

In light of the continuing risks posed by the COVID-19 and as part of the Company's control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

10 September 2020

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing COVID-19 epidemic and the heightened requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending shareholders, staff and other stakeholders from the risk of infection:

1. Compulsory body temperature screening or checks will be carried out on every shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius or is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue.
2. Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a distance from other attendees. Please note that no surgical face masks will be provided at the EGM venue and attendees should bring and wear their own masks.
3. No refreshments or drinks will be served to attendees during the EGM.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with the COVID-19 guidelines for prevention and control, the Company reminds the Shareholders that they may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2019 Share Consolidation”	the consolidation of every five (5) issued and unissued shares of par value HK\$0.1 each in the share capital of the Company into one (1) consolidated share par value of HK\$0.5 each, which had been effective on 27 December 2019
“Announcement”	the announcement of the Company dated 17 August 2020 regarding the proposed Share Consolidation
“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	China Automotive Interior Decoration Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.025 each in the share capital of the Company upon the Share Consolidation becoming effective
“Convertible Bonds”	the convertible bonds with an aggregate principal amount of HK\$5,971,968 issued by the Company on 7 July 2020
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Share Consolidation
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.005 each in the share capital of the Company prior to the Share Consolidation becoming effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	collectively, the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	4 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company, as amended from time to time
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, the address of which is at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be

DEFINITIONS

“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Existing Shares of par value of HK\$0.005 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$0.025 each
“Share Option Scheme”	the share option scheme of the Company adopted on 5 June 2015
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Date

Latest date and time for lodging transfer documents in order to qualify for attending and voting at EGM	4:30 p.m. on Tuesday, 22 September 2020
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Wednesday, 23 September 2020 to Monday, 28 September 2020
Latest date and time for lodging the proxy form for the EGM	11:45 a.m. on Saturday, 26 September 2020
Date and time of the EGM	11:45 a.m. on Monday, 28 September 2020
Announcement of results of the EGM	Monday, 28 September 2020

The following events are conditional upon the results of the EGM and therefore the dates are tentative only.

Effective date of the Share Consolidation	Wednesday, 30 September 2020
First day of free exchange of existing share certificates into new share certificates for Consolidated Shares	Wednesday, 30 September 2020
Dealings in Consolidated Shares commence	9:00 a.m. on Wednesday, 30 September 2020
Original counter for trading in Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 30 September 2020
Temporary counter for trading in Consolidated Shares in temporary board lot of 2,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 30 September 2020

EXPECTED TIMETABLE

Original counter for trading in Consolidated
Shares in board lot of 10,000 Consolidated
Shares (in the form of new share certificates
for Consolidated Shares) re-opens 9:00 a.m. on Friday, 16 October 2020

Parallel trading in the Shares and
Consolidated Shares (in the form of existing
share certificates and new share certificates)
commences 9:00 a.m. on Friday, 16 October 2020

Designated broker starts to stand in the
market to provide matching services for
sale and purchase of odd lots of
Consolidated Shares 9:00 a.m. on Friday, 16 October 2020

Temporary counter for trading in Consolidated
Shares in temporary board lot of 2,000
Consolidated Shares (in the form of existing
share certificates) closes 4:10 p.m. on Friday, 6 November 2020

Parallel trading in Consolidated Shares
(in the form of new share certificates for
Consolidated Shares and existing share
certificates) ends 4:10 p.m. on Friday, 6 November 2020

Designated broker ceases to stand in the market
to provide matching services for sale and
purchase of odd lots of Consolidated Shares 4:10 p.m. on Friday, 6 November 2020

Last day and time for free exchange of existing share
certificates into new share certificates for
Consolidated Shares 4:30 p.m. on Tuesday, 10 November 2020

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhuang Yuejin

Mr. Wong Ho Yin

Ms. Xiao Suni

Independent non-executive Directors:

Mr. Mak Wai Ho

Ms. Ng Li La, Adeline

Ms. Zhu Chunyan

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Hong Kong Principal Place of Business:

Workshop Nos. 22-23,

6/F Corporation Park,

11 On Lai Street,

Shatin, Hong Kong

10 September 2020

To the Shareholders

Dear Sir/Madam,

PROPOSED SHARE CONSOLIDATION

INTRODUCTION

The Company has announced on 17 August 2020 regarding the proposed Share Consolidation. The purpose of this circular is to provide you with information regarding the proposed Share Consolidation and the notice of EGM for the purpose of considering and, if thought fit, approving the resolutions to be proposed.

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

The Board proposes that every five (5) issued and unissued Existing Shares of par value of HK\$0.005 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$0.025 each in the share capital of the Company.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,000,000,000 divided into 200,000,000,000 Existing Shares of par value of HK\$0.005 each, of which 416,427,440 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective and assuming no further Existing Shares will be issued or repurchased from the Latest Practicable Date up to and including the effective date of the Share Consolidation, the authorised share capital of the Company shall be HK\$1,000,000,000 divided into 40,000,000,000 Consolidated Shares of par value of HK\$0.025 each, of which 83,285,488 Consolidated Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, all the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and the Articles.

The implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate action or arrangement that may affect the trading in the shares of the Company, including share consolidation, share subdivision and change in board lot size, in the next 12 months which would have a contradictory effect to the Share Consolidation.

Save as disclosed under the section “Proposed fund raising activities”, the Company does not have any current intention or plan to undertake any other equity issues in the next 12 months. The Company has taken into account the effect of the proposed fund raising activities when determining the basis of the proposed Share Consolidation and did not expect there would be a contradictory effect to the Share Consolidation.

LETTER FROM THE BOARD

Proposed fund raising activities

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 Company generally financed the purchase of raw materials for the Group's production by short-term bank borrowings. On 7 July 2020, the Company issued the Convertible Bonds to independent third parties and raised approximately RMB5.1 million net of expenses. As at the Latest Practicable Date, the proceeds were utilized as to approximately RMB1.3 million for the repayment of existing corporate liabilities and as to approximately RMB1.1 million for general working capital of the Group and the remaining approximately RMB2.7 million were placed with banks. As at the Latest Practicable Date, the Group had (i) outstanding bank borrowings amounted to approximately RMB40 million which were due to be repaid within 12 months and also subject to monthly review, and (ii) outstanding Convertible Bonds amounted to approximately RMB4.14 million.

As at the Latest Practicable Date, the debt profile of the Group were analysed as follows:

	<i>RMB'000</i>
Bank borrowings	
– six months' term loan due in October 2020	16,000
– twelve months' term loan due in December 2020	10,000
– twelve months' term loan due in March 2021	<u>14,000</u>
	40,000
Convertible bonds due in July 2022	<u>4,140</u>
Total	<u><u>44,140</u></u>

The Company have continued to negotiate with its banker on renewal of such banking facilities. Since the COVID-19 pandemic and deterioration of the business environment in the PRC, certain bankers had tightened its credit policy and shorten the term of the banking facilities. Therefore, there can be no assurance that the Company will be able to renew existing banking facilities on similar or more favourable terms to the Company from time to time. The Group will require approximately RMB40 million to fulfil its obligation if the banker withdraw facilities or request for early repayment of outstanding loans or the Company is not able to renew the facilities on similar or more favourable terms to the Company.

LETTER FROM THE BOARD

The Board believes that it was crucial to have a diversified customers base in order to maintain its income stream. To qualify the supplier requirement of the Group's new customer, the Group would setup up a new factory in Jilin Province, the PRC during the first half of 2021 and commence production during the third quarter of 2021 for the production of nonwoven fabric products used in passenger vehicles under Japanese brand. It would involve an investment ranging from approximately RMB10 million to RMB15 million, for the purpose of, among other things, installation of production lines and general working capital of the new factory, which would be expected to be utilized by December 2021. The proposed investment amounts, the expected timeline of implementation of investment in new factory and utilisation of funds are based on the management's best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

Most of the customers of nonwoven fabric products are primary manufacturers and sizeable suppliers of automotive parts in the PRC. Owing to the COVID-19 and decrease of production and sale of passenger vehicles in the PRC, most of the Group's long-term customers have generally requested a delay in repayment of the Group's trade receivables for at least 60 days which had a negative impact to the Group's cash position of approximately RMB10 million and exacerbated the cash outflow position of the Group. In order to alleviate its liquidity pressure, the Company is currently in preliminary internal discussion on the feasibility of fund raising and intends to conduct equity fund raising exercises, including but not limited to rights issue and open offer, when suitable fund raising opportunities arise, of approximately RMB40 million (approximately HK\$45 million) for the purpose of, among other things, reducing its bank borrowings and/or support such future developments of the Group in the next 12 months as mentioned before. Based on the unaudited cash and bank balance of the Group as at 31 August 2020 amounted to approximately RMB24.6 million and preliminary expectation on the operating requirements for the upcoming 12 months under current market conditions, the Company would intend to utilise its cash and bank balance amounted to approximately RMB24.6 million and the propose fund raising proceeds of not less than RMB40 million (i) as to approximately RMB0.9 million for repayment of existing corporate liabilities, (ii) as to approximately RMB40 million to fulfil its obligation if the banker withdraw facilities or the Company is not able to renew the facilities on similar or more favourable terms, (iii) as to approximately RMB10 to RMB15 million for the investment in the new factory, and (iv) as to approximately RMB13.7 million for maintaining the existing factories and other business operations of the Group for the upcoming 12 months. The funding needs of approximately RMB40 million was an estimation and based on preliminary internal assessment of the financial resource available of the Group and an assumption that the recovery of the global economy in the next 12 months. The actual method of equity fund raising, its timing, the scale of the issue and its issue price are, among other things, yet to be determined, and are subject to market conditions. There is no agreement, arrangement, understanding and negotiation (concluded or otherwise) entered into by the Company for any potential fund raising activities. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

1. the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
3. the compliance with the relevant procedures and requirements under the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 30 September 2020, being one clear Business Day immediately after the date of the EGM.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Reasons for the Share Consolidation

Pursuant to Rule 13.64 of Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities.

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has stated that market price of the Shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules.

The Share Consolidation will increase the nominal value of the Shares and will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Shares. The Board believes that the Share Consolidation may attract more investors and extend the shareholders’ base of the Company. Taking into account (i) the closing price of HK\$0.079 per Share and the theoretical closing price of HK\$0.395 per Consolidated Share on the date of the Announcement and (ii) the closing price of HK\$0.081 per Share and the theoretical closing price of HK\$0.405 per Consolidated Share on the Latest Practicable Date, the Share Consolidation would enable the Company to comply with the trading requirements under the Listing Rules. In addition, the Board also believes that with a higher trading price of the Consolidation Shares with theoretical trading price at a level over HK\$0.1 will show a more positive image of the Group and thus facilitate the proposed fund raising activities in the future.

LETTER FROM THE BOARD

The Board successfully conducted the 2019 Share Consolidation, which had been effective on 27 December 2019. The daily closing prices of the Shares during the period from the effective date of 2019 Share Consolidation up to and including the Latest Practicable Date (the “Review Period”) ranged from HK\$0.054 to HK\$0.21. By considering the highest daily closing price of HK\$0.21 and the board lot size of 10,000, the value per board lot during the Review Period were 5.0% higher than HK\$2,000. In addition, the daily closing price of 116 trading days out of the total of 172 trading days during the Review Period, representing approximately 67.4% were under HK\$0.1 and the value per board lot were lower than HK\$1,000. The Board are aware there are fluctuation of the share prices of the Shares during the Review Period and was not aware of any particular reasons which might have affected the share prices of the Shares. Taking into account the basic transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Given the above reasons, the Company considers that the proposed Share Consolidation are justifiable despite the negative impact arising from the creation of odd lots to Shareholders. Accordingly, the Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Application for the listing of the Consolidated Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares or debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

LETTER FROM THE BOARD

Exchange of share certificates for the Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be on Wednesday, 30 September 2020, being one clear Business Day immediately after the date of the EGM, Shareholders may between 9:00 a.m. and 4:30 p.m. on any Business Day during the period from Wednesday, 30 September 2020 to Tuesday, 10 November 2020 (both days inclusive), submit share certificates for the Existing Shares (in red colour) to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Consolidated Shares (in green colour) at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 each (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates involved is higher.

After 4:10 p.m. on Friday, 6 November 2020, trading will only be in Consolidated Shares which share certificates will be issued in green colour. Existing share certificates in red colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares of the Company regardless of the number of share certificates held by such holder.

Arrangement on odd lot trading

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed an agent to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Shareholders who wish to take advantage of this facility should contact Black Marble Securities Limited at 21/F, The Wellington, 198 Wellington Street, Central, Hong Kong (telephone number: (852) 3700 9600) from 9:00 a.m. on Friday, 16 October 2020 to 4:10 p.m. on Friday, 6 November 2020.

LETTER FROM THE BOARD

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

ADJUSTMENTS TO CONVERTIBLE BONDS AND SHARE OPTIONS

As at the Latest Practicable Date, there are:

1. outstanding Convertible Bonds with an aggregate principle amount of HK\$4,599,750 entitling the holders thereof to convert into an aggregate of 61,330,000 Existing Shares; and
2. outstanding 75,740,000 share options which are convertible into 75,740,000 Existing Shares, upon exercise of the respective conversion rights attaching thereto.

Save as aforesaid, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the Latest Practicable Date.

Pursuant to the terms of the Convertible Bonds and the Share Option Scheme, the Share Consolidation will cause adjustments to the respective conversion prices of the outstanding Convertible Bonds and share options. The Company will appoint its auditor or independent financial advisors to review and certify the basis of such adjustments to the respective conversion prices of the outstanding Convertible Bonds and share options in accordance with the Listing Rules, the terms of the Convertible Bonds and the Share Option Scheme. The Company will make further announcements regarding the adjustments in accordance with the Listing Rules in due course.

ACTIONS TO BE TAKEN

Set out on pages 15 to 17 of this circular is a notice convening the EGM at which an ordinary resolution will be proposed to approve the proposed Share Consolidation.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. by 11:45 a. m. on 26 September 2020) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VOTING AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all proposed resolutions as set out in the notice of EGM will be voted by poll. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATIONS

The Board considers that the resolutions in respect of the proposed Share Consolidation to be proposed at the EGM are in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of such resolutions at the EGM.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Automotive Interior Decoration Holdings Limited (the “Company”) will be held at Room Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:45 a.m. on Monday, 28 September 2020 to consider and, if thought fit, pass with or without amendments (as applicable), the following resolutions:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Consolidated Shares (as defined below) arising from the Share Consolidation (as defined below) and with effect from 30 September 2020:

- (a) every five (5) issued and unissued shares with a par value of HK\$0.005 each (the “Existing Shares”) in the issued and authorised share capital of the Company be consolidated into one (1) share with a par value of HK\$0.025 each (the “Consolidated Share(s)”) (the “Share Consolidation”), and immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company shall be HK\$1,000,000,000 divided into 40,000,000,000 Consolidated Shares of par value of HK\$0.025 each;
- (b) following the Share Consolidation, the Company’s directors (the “Directors”) be and are hereby authorised to do all such acts and things as they consider necessary or expedient in connection with the Share Consolidation, including but not limited to disregarding fractional entitlements, making arrangements for the settlement and disposal of fractional entitlements, if any, arising from or in connection therewith and, in particular (but without prejudice to the generality of the foregoing), by aggregating any fractional entitlements arising as a result thereof and selling the same for the benefit of the Company in such manner and on such terms as the Directors may think fit and/or repurchasing (and, if thought fit, cancelling) any fractional entitlements in such manner and on such terms as the Directors may think fit; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Share Consolidation on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to, implement and complete the Share Consolidation.”

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

Hong Kong, 10 September 2020

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares (“Shares”) of the Company, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or person authorised, and must be deposited with the Hong Kong branch share registrar and transfer office (“Registrar”) of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM (i.e. by 11:45 a.m. on 26 September 2020) or any adjournment thereof.
4. For the purpose of determining members who are qualified for attending the EGM, the register of members of the Company will be closed from 23 September 2020 to 28 September 2020, both days inclusive, during which no transfer of Shares will be effected. In order to qualify for attending the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Registrar at the address stated in note 3 above not later than 4:30 p.m. on 22 September 2020 for registration.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on all proposed resolutions set out in this notice will be taken by a poll.
7. If a tropical cyclone warning signal No. 8 or above or “extreme conditions” caused by super typhoon, or a “black” rainstorm warning is in effect any time and remains in force 2 hours before the time of the EGM, the EGM will be proposed to be adjourned to a date to be determined. The Company will make a separate announcement on this.
8. All times and dates specified herein refer to Hong Kong local times and dates.
9. As at the date of this notice, 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.