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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)**

## **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

**Placing Agent**



### **THE PLACING**

On 16 February 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 71,663,616 Placing Shares, to not less than six Placées who and whose beneficial owners are Independent Third Parties at a price of HK\$0.32 per Placing Share. The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be obtained at the EGM.

The maximum number of 71,663,616 Placing Shares represent (i) 75.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 42.86% of the issued share capital of the Company as enlarged by the issue of the maximum number of 71,663,616 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares is HK\$1,791,590.40.

Assuming the Placing Shares are fully placed, the gross proceeds and the net proceeds (after deduction of commission and other expenses of the Placing) from the Placing will be approximately HK\$22.9 million and approximately HK\$22.3 million, respectively. The Company intends to apply the net proceeds from the Placing as to (i) approximately HK\$10.3 million for repaying the bank borrowings; and (ii) approximately HK\$12.0 million for installation and general working capital of the new production lines.

### **LISTING RULES IMPLICATIONS**

The Placing Shares will be issued under the Specific Mandate to be obtained from the Shareholders and therefore the Placing will be subject to the Shareholders' approval. To the best knowledge of the Directors, as none of the Shareholders or their associates would have any material interest in the Placing, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Placing does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Placing is in compliance with Rule 7.27B of the Listing Rules.

### **GENERAL**

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Placing and granting the Specific Mandate to allot and issue the Placing Shares proposed to be placed under the Placing.

A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM will be despatched to the Shareholders on or before 12 March 2021 as additional time is required by the Company for preparing the circular.

## THE PLACING AGREEMENT

Date: 16 February 2021 (after trading hours)

Issuer: The Company

Placing Agent: Astrum Capital Management Limited

The Placing Agent has conditionally agreed to place up to 71,663,616 Placing Shares, on a best endeavour basis, to the Placees. The Placing Agent will receive a placing commission of 1.5% of the aggregate Placing Price of the Placing Shares successfully placed by or on behalf of the Placing Agent pursuant to its obligations under the Placing Agreement. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market condition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

### **Placees:**

The Placing Shares will be placed to not less than six Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties. The Placing Agent undertook that none of the Placees nor their associates would, immediately upon completion of the Placing, become a substantial shareholder of the Company.

### **Placing Price:**

The Placing Price of HK\$0.32 per Placing Share represents:

- (i) a discount of approximately 8.6% to the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 8.6% to the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the Shares and the capital requirement for the future development of the Group.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Assuming the Placing Shares are fully placed, the gross proceeds and the net proceeds (after deduction of commission and other expenses of the Placing) from the Placing will be approximately HK\$22.9 million and approximately HK\$22.3 million, respectively. On such basis, the net issue price will be approximately HK\$0.311 per Placing Share.

**Placing Shares:**

The maximum number of 71,663,616 Placing Shares represent (i) 75.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 42.86% of the issued share capital of the Company as enlarged by the issue of the maximum number of 71,663,616 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares is HK\$1,791,590.40.

**Ranking:**

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Placing Shares.

**Conditions of the Placing:**

Completion of the Placing is conditional upon:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares to be placed pursuant to the Placing Agreement; and
- (ii) the Specific Mandate being obtained at the EGM.

Each of the Company and the Placing Agent shall use their respective best endeavours to procure satisfaction of the above conditions prior to the date falling on one (1) month after the EGM and in any event not later than six months after the date of the Placing Agreement or such later date as the Company and the Placing Agent may agree in writing (the “**Long Stop Date**”). If the above conditions are not satisfied on or before the Long Stop Date, all obligations of the Placing Agent and the Company under the Placing Agreement shall cease and determine and neither the Placing Agent nor the Company shall have any claim against the other in relation to the Placing Agreement (save in respect of any antecedent breaches of any obligation thereunder).

**Completion:**

Completion of the Placing shall take place within five Business Days after the fulfillment of all the above conditions or on such other date as the Company and the Placing Agent may agree in writing.

**Mandate to issue the Placing Shares:**

The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be obtained at the EGM.

**Force majeure:**

If any of the following events occur at any time prior to 10:00 a.m. on the date of completion of the Placing (the “**Placing Completion Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the Placing Completion Date provided that such notice is received prior to 6:00 p.m. on the day immediately preceding the Placing Completion Date, rescind the Placing Agreement without liability to the other parties thereto, and the Placing Agreement shall thereupon cease to have effect and none of the parties thereto shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties of the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

**Since completion of the Placing is subject to the fulfilment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, and the trading of rubber and food products.

As a result of the outbreak of coronavirus disease (the “**COVID-19**”) in early 2020, the Group’s revenue decreased significantly from approximately RMB110.0 million for the six months ended 30 June 2019 to approximately RMB50.9 million for the six months ended 30 June 2020. It is expected that the impact of the COVID-19 pandemic on the Group’s business will continue in the coming months. To address the unfavourable market condition and ease the pressure on the liquidity of the Group, the management of the Group has been actively negotiating with the Group’s principal banks to explore the possibility of the extension of the maturity dates of the existing bank borrowings and/or applying for new loans. As at the date of this announcement, the bank borrowings of the Group (all of which were provided by Bank of China (“**BOC**”)) were set forth below:

<b>Bank borrowings</b>	<i>RMB million</i>
– twelve months’ term loan due on 3 March 2021	8.0
– twelve months’ term loan due on 11 March 2021	6.0
– six months’ term loan due on 8 April 2021	10.0
– six months’ term loan due on 13 April 2021	6.0
– twelve months’ term loan due on 20 December 2021	10.0
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As disclosed in the table above, the term loans with the aggregate principal amount of RMB30 million will be due shortly in March and April 2021 (the “**Short-term Loan**”). Based on the Group’s recent communication with BOC, in view of the deterioration of the business environment in the PRC as a result of the outbreak of the COVID-19 pandemic, BOC will only consider to renew the Short-term Loan after their review on the financial performance and position of the Group, and the loan size will be reduced by RMB10 million to RMB20 million. Having considered the Group’s cash and cash balance of approximately RMB24.7 million as at 30 June 2020, the Directors anticipated that the Group might not have sufficient working capital to repay the existing bank borrowings in the aggregate amount of approximately RMB40.0 million when they fall due unless the Group enables to renew the bank borrowings with BOC or obtain new loans with similar principal amount from other banks.

Furthermore, in order to diversify the Group’s existing business portfolio and broaden its source of income, the Group entered into a strategic cooperative agreement (the “**Strategic Cooperative Agreement**”) with an interior decoration components supplier of an automotive manufacturer under the brand “FAW Toyota” (the “**Components Supplier**”) in July 2020 in relation to the supply of the non-woven fabric related automotive components by the Group to the Components Supplier. In order to meet the supply requirement of the non-woven fabric related automotive components under the Strategic Cooperative Agreement, the Group will set up new production lines in Jilin Province, the PRC. It is expected that the set-up of the production lines will be completed in the first half of 2021 and the production will commence in the third quarter of 2021.

With an aim to meet the capital requirement for the repayment obligation of the existing bank borrowings and the set-up of new production lines in Jilin Province, save for the Placing, the Directors have also considered other financing alternatives including (i) debt financing; and (ii) other equity fund raising such as rights issue and open offer. As for debt financing, save for the possible renewal of the Short-term Loans with BOC as mentioned above, the Group has approached two banks for the possible bank loan in the amount of RMB20 million to RMB23 million. However, no positive feedback was received from such banks. The Directors are of the view that debt financing will increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company, and will increase the Group's gearing ratio. As to rights issue and open offer, the Group has approached four securities firms about the possibility and feasibility of acting as underwriter for rights issue or open offer with the fund-raising size of RMB20 million to RMB23 million. All securities firms expressed that they are not prepared, under the current market sentiment, to act as underwriter for rights issue or open offer of the fund-raising size desirable by the Group. In view of the above, the Directors consider that the Placing is currently the most feasible financing method to the Company to raise sufficient fund.

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide working capital to the Group to meet capital requirement for the repayment of the bank borrowings and the development of the new production line. The Placing also represents a good opportunity to broaden the shareholders' base and the capital base of the Company. The Directors consider that Placing is in the interests of the Company and the Shareholders as a whole.

As disclosed above, the maximum net proceeds from the Placing are estimated to be approximately HK\$22.3 million. The Company intends to apply the net proceeds from the Placing as to (i) approximately HK\$10.3 million for repaying the bank borrowings; and (ii) approximately HK\$12.0 million for installation and general working capital of the new production lines.

## **FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS**

Save as disclosed below, the Company has not conducted any other equity fund-raising activities in the past twelve months immediately preceding the date of this announcement.

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised</b>	<b>Proposed use of proceeds</b>	<b>Actual use of proceeds</b>
18 June 2020	Placing of convertible bonds at the initial conversion price of HK\$0.075 per conversion share under general mandate	approximately HK\$5.8 million	utilised as general working capital of the Group and repayment of the then existing liabilities	fully utilised as to (i) approximately HK\$2.5 million for the repayment of the then existing corporate liabilities; and (ii) approximately HK\$3.3 million for general working capital of the Group

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Placing (assuming the Placing Shares were placed in full and assuming there is no other change in the issued share capital of the Company between the date of this announcement and the date of completion of the Placing):

	As at the date of this announcement		Immediately upon completion of the Placing	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
<b>Executive Director</b>				
Mr. Zhuang Yuejin	15,170,800	15.88	15,170,800	9.07
<b>Public Shareholders</b>				
Places	–	–	71,663,616	42.86
Other public Shareholders	80,380,688	84.12	80,380,688	48.07
<b>Sub-total for public Shareholders</b>	<u>80,380,688</u>	<u>84.12</u>	<u>152,044,304</u>	<u>90.93</u>
<b>Total</b>	<u>95,551,488</u>	<u>100.00</u>	<u>167,215,104</u>	<u>100.00</u>

## LISTING RULES IMPLICATIONS

The Placing Shares will be issued under the Specific Mandate to be obtained from the Shareholders and therefore the Placing will be subject to the Shareholders' approval. To the best knowledge of the Directors, as none of the Shareholders or their associates would have any material interest in the Placing, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Placing does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Placing is in compliance with Rule 7.27B of the Listing Rules.



## **GENERAL**

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Placing and granting the Specific Mandate to allot and issue the Placing Shares proposed to be placed under the Placing.

A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM will be despatched to the Shareholders on or before 12 March 2021 as additional time is required by the Company for preparing the circular.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday, public holiday or any day on which tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Automotive Interior Decoration Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 0048)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporate, institutional investors or other investors to be procured by or through the Placing Agent under the Placing
“Placing”	the proposed offer by way of private placing of the Placing Shares by or through the Placing Agent to the Placee(s), on a best endeavour basis, on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Astrum Capital Management Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the proposed conditional placing agreement entered into between the Company and the Placing Agent dated 16 February 2021 in relation to the Placing under the Specific Mandate
“Placing Price”	HK\$0.32 per Placing Share
“Placing Shares”	a maximum of 71,663,616 new Shares proposed to be placed pursuant to the Placing Agreement and each a “Placing Share”
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issue of up to a maximum number of 71,663,616 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 16 February 2021

*As at the date hereof, the executive directors are Mr. Zhuang Yuejin, Mr. Wong Ho Yin and Ms. Xiao Suni, and the independent non-executive directors are Mr. Mak Wai Ho, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.*