
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or 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 (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

(I) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 19 of this circular.

A notice dated 26 March 2021 convening the EGM to be held on Thursday, 15 April 2021 at 11:30 a.m. at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it 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 later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of 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 coronavirus (COVID-19) pandemic 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.

26 March 2021

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	ii
DEFINITIONS	1
LETTER FROM THE BOARD	4
NOTICE OF EGM	EGM-1

PRECAUTIONARY MEASURES FOR THE EGM

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 required 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, Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the Chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Announcement”	the announcement of the Company dated 16 February 2021 in relation to the Placing
“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 held on Thursday, 15 April 2021 at 11:30 a.m. at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong 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

DEFINITIONS

“Latest Practicable Date”	22 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	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 dated 16 February 2021 (as supplemented by the supplemental agreement dated 23 March 2021) entered into between the Company and the Placing Agent 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

DEFINITIONS

“Share Consolidation”	the consolidation of every five (5) issued and unissued ordinary share(s) of HK\$0.005 each in the share capital of the Company into one (1) consolidated Share of HK\$0.025 each which became effective on 30 September 2020
“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
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this circular, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1.00 = HK\$1.20.

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 (*Chairman*)
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

Principal place of business in the PRC:

No. 28 Xinfeng Road
Xinfeng Industrial Park
Fangqian Town New District
Wuxi City, Jiangsu Province, the PRC

*Headquarter and principal place of
business in Hong Kong:*

Workshop Nos. 22-23
6/F, Corporation Park
11 On Lai Street, Shatin
New Territories, Hong Kong

26 March 2021

To the Shareholders

Dear Sir or Madam,

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement in relation to the Placing.

LETTER FROM THE BOARD

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 Placees 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 purpose of this circular is to provide you with, among other things, (i) further details of the Placing; and (ii) a notice convening the EGM.

THE PLACING AGREEMENT

Date	:	16 February 2021 (as supplemented on 23 March 2021)
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 Latest Practicable Date, 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;

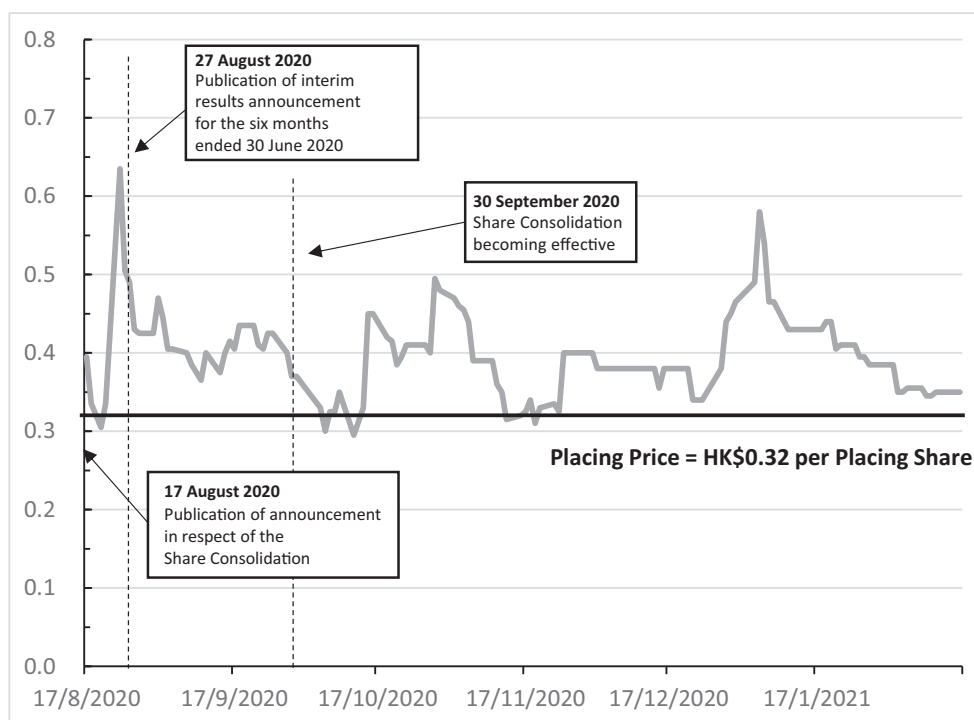
LETTER FROM THE BOARD

- (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; and
- (iii) a discount of 62.0% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

In determining the Placing Price, the Directors have reviewed the closing prices of the Shares during the period from 17 August 2020 and up to and including the date of the Placing Agreement (being the six-month period immediately prior to the date of the Placing Agreement) (the “**Review Period**”). The Directors consider that the Review Period could reflect the most recent trend of the prevailing market price of the Shares. The following chart depicts the closing prices of the Shares during the Review Period:

Chart 1: Share price performance during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE BOARD

As shown in the chart above, the closing prices of the Shares fluctuated within the range from HK\$0.295 per Share to HK\$0.495 per Share (except for 24 August 2020, 25 August 2020, 5 January 2021 and 6 January 2021). The average closing price of the Shares was approximately HK\$0.397 during the Review Period.

In addition, the Directors have also reviewed the trading liquidity of the Shares during the Review Period in determining the Placing Price. The following table sets out the trading volume of the Shares during the Review Period:

Table 1: Trading volume of the Shares during the Review Period

Month/Period	Total trading volume	Number of trading days	Average daily trading volume of the Shares	Average daily trading volume as a percentage of the total number of Shares in issue (Note)
	<i>(No. of Shares)</i>		<i>(No. of Shares)</i>	<i>(%)</i>
August 2020 (from 17 August 2020)	18,175,280	11	1,652,298	1.729%
September 2020	1,214,240	22	55,193	0.058%
October 2020	1,281,040	18	71,169	0.074%
November 2020	928,160	21	44,198	0.046%
December 2020	1,156,240	22	52,556	0.055%
January 2021	1,419,520	20	70,976	0.074%
February 2021 (up to 16 February 2021)	640,080	10	64,008	0.067%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: The calculation is based on the average daily trading volume of the Shares divided by the total number of the issued Share as at the Latest Practicable Date (i.e. 95,551,488 Shares).

As illustrated in Table 1 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 44,198 Shares to approximately 1,652,298 Shares, representing approximately 0.046% to approximately 1.729% of the total number of issued Shares as at the Latest Practicable Date. The Directors noted that excluding the exceptionally high trading volume of the Shares in August 2020, the average daily trading volume during the Review Period was approximately 58,755 Shares, representing approximately 0.061% of the total number of issued Shares as at the Latest Practicable Date.

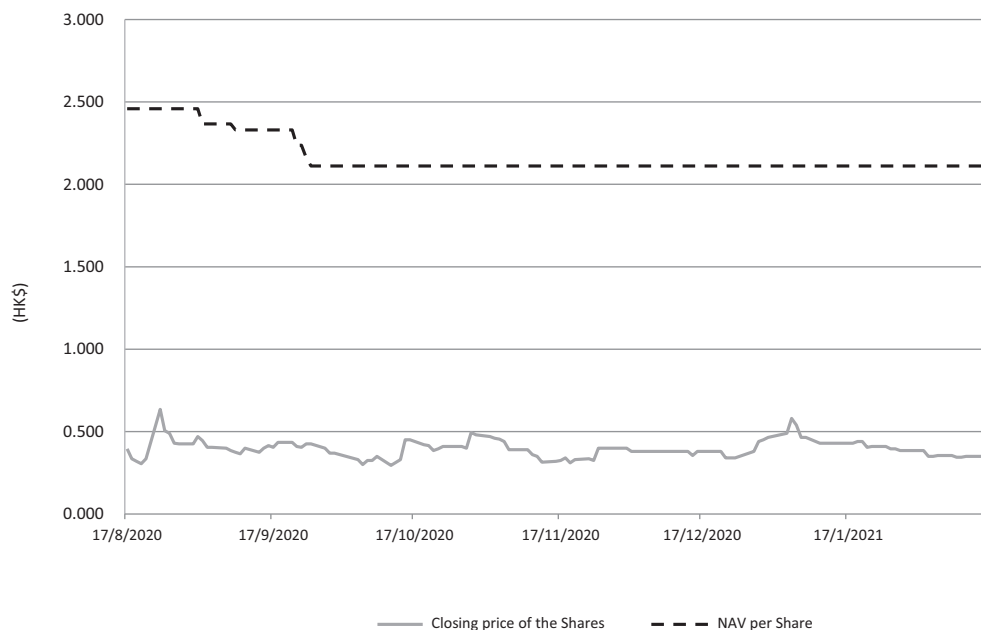
LETTER FROM THE BOARD

Taking into account (i) the consecutive loss-making position of the Group since 2016; (ii) the low trading volume of the Shares during the Review Period; and (iii) the impact from the outbreak of coronavirus disease (the “COVID-19”), the Directors consider that it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the Placing.

After the publication of the Announcement, the Directors noted that the closing price of the Shares significantly increased to HK\$1.13 per Share on 17 February 2021 (being the first trading day after the publication of the Announcement) as compared to that of HK\$0.35 per Share on the date of the Placing Agreement while the trading volume of the Shares also increased to approximately 23,429,000 Shares. During the period commencing from 17 February 2021 to the Latest Practicable Date (the “**Post-announcement Period**”), the Shares fluctuated within a wide range from HK\$0.48 per Shares to HK\$1.13 per Shares. Save for the announcement of the Placing, the Directors were not aware of any other reasons that led to the surge in the Share price and the large fluctuation in the closing price of the Shares within a short period of time during the Post-announcement Period.

The Directors noted that the Placing Price represents a discount of approximately 87.0% to the unaudited equity attributable to owners of the Company (the “NAV”) per Share as at 30 June 2020. The following chart depicts the closing prices of the Shares and the NAV per Share during the Review Period:

Chart 2: Closing price of the Share versus NAV per Share during the Review Period



Source: the website of the Stock Exchange

LETTER FROM THE BOARD

Notes:

1. The closing prices of the Shares have been adjusted as a result of the Share Consolidation, which became effective on 30 September 2020 (please refer to the circular of the Company dated 10 September 2020 for further details).
2. On 7 July 2020, the Company completed the placing of convertible bonds (the “**Convertible Bonds**”) in an aggregate principal amount of HK\$5,971,968 under general mandate. Subsequently, from 2 September 2020 to 25 September 2020, the bondholders exercised the conversion rights attaching to the Convertible Bonds to convert the Convertible Bonds into an aggregate of 15,925,248 conversion shares (adjusted pursuant to the Share Consolidation) at HK\$0.375 per conversion share (adjusted pursuant to the Share Consolidation).
3. The NAV per Share is calculated by dividing the equity attributable to owners of the Company as at 30 June 2020 as extracted from the interim report of the Company for the six months ended 30 June 2020 (as adjusted by the principal amount of the Convertible Bonds as a result of the exercise of the conversion right attaching thereto) by the total number of issued Shares as at the relevant date.

Given that (i) the Shares were traded at a deep discount to the NAV per Share throughout the Review Period; and (ii) the market price of the Shares have already reflected the expectation of the investors to the Company (such as its financial results and corporate actions) and the recent market sentiment, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Placing Price and that the discount of the Placing Price to the NAV per Share is justifiable.

Notwithstanding that the Placing Price of HK\$0.32 per Placing Share represents a discount of 62.0% to the closing price of HK\$0.84 per Share as at the Latest Practicable Date, after taking into consideration the facts that it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the Placing in view of (i) the consecutive loss-making position of the Group since 2016; (ii) thin trading volume of the Shares during the Review Period; and (iii) the impact from the outbreak of COVID-19, the Directors consider that the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

LETTER FROM THE BOARD

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 Latest Practicable Date; 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.

As at the Latest Practicable Date, none of the conditions had been satisfied.

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 or in any event not later than six months after the date of the Placing Agreement (the “**Initial Long Stop Date**”) 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 or the date falling on one (1) month after the EGM, whichever is earlier, 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).

Notwithstanding the Initial Long Stop Date is determined as 15 August 2021 (being six months after the date of the Placing Agreement), it is the intention of the Board to complete the Placing as soon as practicable after taking into account the reasons for the Placing as discussed in the section headed “REASONS FOR THE PLACING AND USE OF PROCEEDS” below (in particular, the intended use of proceeds from the Placing). Subject to the Shareholders’ approval to be obtained at the EGM, the Company will procure the completion of the Placing under the Placing Agreement to take place within one month after the date of the EGM.

LETTER FROM THE BOARD

The Specific Mandate will only remain valid up to the Initial Long Stop Date. The Company will re-comply with all the applicable Listing Rules requirements (including but not limited to obtaining Shareholders' approval as required under Rule 13.36(1) of the Listing Rules) in the event of extension of the Long Stop Date beyond the Initial Long Stop Date.

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

LETTER FROM THE BOARD

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 were not aware of the occurrence of any of such events as at the Latest Practicable Date.

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 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 the Placing Agreement, the bank borrowings of the Group (all of which were provided by Bank of China ("BOC")) were set forth below:

Bank borrowings	<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
	<hr/>
	40.0
	<hr/> <hr/>

LETTER FROM THE BOARD

As disclosed in the table above, the term loans with the aggregate principal amount of RMB14 million had been due in March 2021 (the “**Short-term Loan (March)**”) while the term loans with the aggregate principal amount of RMB16 million will be due shortly in April 2021 (the “**Short-term Loan (April)**”). 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 agreed with the Group to extend the maturity date of the Short-term Loan (March) to March 2022 but reduce the loan size substantially from RMB14 million to RMB4 million. Therefore, the aggregate principal amount of the Short-term Loan (March) of RMB10 million has been repaid by using the Group’s internal financial resources. In addition, BOC will only consider to renew the Short-term Loan (April) after their review on the financial performance and position of the Group. To address the liquidity pressure of the Group triggered by the repayment obligation of the Short-term Loan (March) of RMB10 million, the management of the Group had negotiated with the Group’s suppliers to defer the settlement of part of the trade payables for three months. As at the Latest Practicable Date, the aggregate principal amount of the Group’s bank borrowings was RMB30 million (the “**Outstanding Short-term Loan**”). Having considered the Group’s cash and cash balance of approximately RMB22.7 million as at 31 January 2021, the Directors anticipated that the Group might not have sufficient working capital to repay the Outstanding Short-Term Loan in the aggregate amount of approximately RMB30 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 (the “**Automotive Components**”) by the Group to the Components Supplier. In order to meet the supply requirement of the Automotive Components under the Strategic Cooperative Agreement, the Group will set up new production lines in Jilin Province, the PRC (the “**New Production Lines**”). Based on the current business plan of the Group, the Company will install the production machineries and equipment as well as employ production staff in the second quarter of 2021 to prepare for the commencement of a larger-scale production of the Automotive Components in the second half of 2021. The relevant installation cost of the production machineries and equipment is approximately RMB6.1 million which is expected to be settled in the third quarter of 2021. The estimated maximum production capacity of the New Production Lines is approximately 51,000 sets of the Automotive Components per month. The balance of the net proceeds from the Placing of approximately RMB3.9 million will be utilised as general working capital of the New Production Lines.

LETTER FROM THE BOARD

As disclosed in the financial reports of the Company, the Group recorded loss attributable to owners of the Company of approximately RMB64.9 million, approximately RMB30.2 million and approximately RMB14.7 million for the years ended 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020, respectively. The Group also recorded net cash outflow of approximately RMB10.5 million, approximately RMB9.1 million and approximately RMB1.7 million, respectively, for the corresponding periods. As disclosed in the circular of the Company dated 10 September 2020, in order to alleviate the Group's liquidity pressure, the Directors had internal discussion on the feasibility of fund raising and intended to conduct equity fund raising exercises with the funding size of approximately RMB40 million for the purpose of, among other things, reducing its bank borrowings and/or support such future developments of the Group. The Directors has been closely monitoring the financial position of the Group from time to time to ensure that the Group has sufficient working capital for its daily operation. Based on the current financial performance and position of the Group and the funding needs for the set-up and operation of the New Production Lines, the Directors anticipated that the existing cash and bank level of the Group may not be sufficient to maintain the daily operation of the Group for the next twelve months. Such estimation was made based on the following key assumptions:

- (i) the Group's revenue was estimated with reference to its historical performance;
- (ii) BOC will agree to renew the Outstanding Short-term Loan with the aggregate principal amount of RMB30 million;
- (iii) the New Production Line will commence the production in July 2021 and the Group will generate revenue from the sales of the Automotive Components to the Components Suppliers as scheduled;
- (iv) there will be no significant changes in the existing political, legal, market or economic conditions in the PRC and Hong Kong, including changes in legislations, regulations or rules, which may have a material adverse effect on the business of the Group;
- (v) there will be no material changes in the bases or applicable rates of taxation in the PRC and Hong Kong;
- (vi) there will be no material changes in inflation rate, interest rates or foreign currency exchange rates in the PRC and Hong Kong;
- (vii) the existing terms and conditions of contracts and agreements entered into by the Group will remain in force;
- (viii) there will be no material changes in the current demand and customer base of the Group which will adversely affect the performance of the Group; and

LETTER FROM THE BOARD

- (ix) the Group's operations and business will not be materially affected or interrupted by any force majeure events or other unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including natural disasters or catastrophes, epidemics or serious accidents.

Accordingly, the Directors consider that it is requisite for the Company to raise sufficient fund for the Group's general working capital and the set-up and operation of the New Production Lines. With the proceeds from the Placing, together with the existing cash and bank level of the Group, the Directors consider that the Group has sufficient working capital for the next twelve months. If the Placing Shares are placed in full, the Company currently has no plan or intention to conduct any other equity fund raising activities in the next twelve months.

With an aim to meet the capital requirement for the repayment obligation of the existing bank borrowings and the set-up of the New Production Lines, 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 Industrial Bank and Bank of Communications in Wuxi, the PRC (the "**Other Banks**") for the possible bank loan in the amount of RMB20 million to RMB23 million (the "**Possible Borrowing**") in early February 2021. The Company was advised by the Other Banks that it requires to improve its financial performance (including but not limited to the growth in revenue and profitability) and provide assets as collaterals before its application for the Possible Borrowing being considered and proceeded. However, save for the collaterals pledged to BOC for the Outstanding Short-term Loan, the Group did not have any other significant assets which would be accepted by the Other Banks as collaterals for the Possible Borrowing as at the Latest Practicable Date. Accordingly, both the Other Banks turned down the Group's application for the Possible Borrowing. 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 (being the total liabilities divided by the total assets) from approximately 0.46 times as at 30 June 2020 to approximately 0.50 times assuming the Possible Borrowing with the principal amount of RMB23 million was obtained by the Group on 30 June 2020. As to rights issue and open offer, the Group has approached four securities firms (including the Placing Agent) 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 in early February 2021. 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.

LETTER FROM THE BOARD

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 Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
18 June 2020	Placing of convertible bonds at the conversion price of HK\$0.375 per conversion share (adjusted pursuant to the Share Consolidation) under general mandate	approximately HK\$5.8 million	for 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

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 Latest Practicable Date and the date of completion of the Placing):

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

Notwithstanding that (i) the shareholding of the existing public Shareholders will be diluted from approximately 84.12% to approximately 48.07% as a result of completion of the Placing; and (ii) the Placing will result in a theoretical value dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.7%, after taking into consideration the facts that (i) the Group has the imminent need to raise sufficient fund for the Group's business development and repayment of the Outstanding Short-term Loan; (ii) the Placing is currently the most feasible financing method to the Company to raise sufficient fund; (iii) unlike debt financing, the Placing would not incur interest cost and would not increase the Group's gearing ratio; and (iv) the Placing Price is fair and reasonable as discussed above, the Directors consider that the benefits of the Placing outweighs the potential dilution impact (both shareholding and value) to the existing public Shareholders, and that the Placing is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 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 Latest Practicable Date, 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.

EGM

The EGM is convened to be held on Thursday, 15 April 2021 at 11:30 a.m. at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong 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 proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it 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 later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Placing Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant resolution at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully

By order of the Board

China Automotive Interior Decoration Holdings Limited

Zhuang Yuejin

Chairman

NOTICE OF EGM



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 an extraordinary general meeting (the “EGM”) of China Automotive Interior Decoration Holdings Limited (the “Company”) will be held on Thursday, 15 April 2021 at 11:30 a.m. at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the placing agreement dated 16 February 2021 (as supplemented by the supplemental agreement dated 23 March 2021) (the “**Placing Agreement**”, a copy of which has been produced to this meeting marked “A” and signed by the chairman of the EGM for the identification purpose) entered into between the Company and Astrum Capital Management Limited (the “**Placing Agent**”) in relation to the placing (the “**Placing**”) of up to 71,663,616 new ordinary share(s) of HK\$0.025 each in the share capital of the Company (the “**Placing Shares**”, each a “**Placing Share**”), on a best endeavour basis, at the placing price of HK\$0.32 per Placing Share, and all transactions contemplated thereunder and all other matters thereof and incidental thereto and in connected therewith, be and are hereby generally and unconditionally approved, confirmed and ratified in all respects;
- (b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares to be allotted and issued, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and deal with the Placing Shares on the term and subject to the conditions of the Placing Agreement, provided that such Specific Mandate being additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

NOTICE OF EGM

- (c) any one Directors be and are hereby generally and unconditionally authorised to do all such acts or things and execute (including under common seal where applicable) and deliver all such documents, instruments and agreements which they consider necessary, desirable or expedient to give effect to or otherwise in connection with the Placing Agreement and the transactions contemplated thereunder, and the allotment and issue of the Placing Shares under the Specific Mandate, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company.”

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

Hong Kong, 26 March 2021

Registered office:

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

Principal place of business in the PRC:

No. 28 Xinfeng Road
Xinfeng Industrial Park
Fangqian Town New District
Wuxi City, Jiangsu Province, the PRC

*Headquarter and principal place of
business in Hong Kong:*

Workshop Nos. 22-23
6/F, Corporation Park
11 On Lai Street, Shatin
New Territories, Hong Kong

NOTICE OF EGM

Notes:

1. A 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, more proxies to attend and vote instead of him. A proxy needs not be a member of the Company.
2. In the case of joint holders of shares in the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members of the Company in respect of the joint holding.
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 authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with 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 (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.
4. For the purpose of ascertaining the right of shareholders of the Company to attend and vote at the EGM, all transfers documents accompanied by the relevant share certificates must be deposited with 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 for registration not later than 4:00 p.m. on Wednesday, 14 April 2021.
5. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolution to be proposed at the EGM convened by this notice will be voted on by way of poll.

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.