THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action you should take, you should consult your 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, you should at once hand the Prospectus Documents (as defined herein) to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, having attached thereto the document specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the securities of the Company may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. Subject to the granting of the listing of, and permission to deal in, the Offer Shares (as defined herein) on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares or such other dates 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.

中汽內饰
CHINA AUTOMOTIVE

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: 8321)

OPEN OFFER OF 720,000,000 OFFER SHARES AT HK$0.10 PER OFFER SHARE ON THE BASIS OF TWO OFFER SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

Joint Financial Advisers to the Company

ASIA VEST PARTNERS
AsiaVest Partners Limited

AMASSE CAPITAL
寶 積 資 本

Underwriter

TANRICH
TANRICH CAPITAL LIMITED
敦沛融資有限公司

Terms used in this cover page have the same meanings as defined in this Prospectus. The latest time for acceptance and payment for the Offer Shares is 4:00 p.m. (Hong Kong time) on Tuesday, 4 September 2012. The procedures for application of the Offer Shares are set out on pages 24 to 25 of this Prospectus.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Monday, 10 September 2012 to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this Prospectus.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

21 August 2012

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this Prospectus, unless the context requires otherwise, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 5 July 2012 in relation to, among others, the Open Offer
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China Automotive Interior Decoration Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company held on 10 August 2012 for the purpose of considering and, if thought fit, approving the terms of the Open Offer
"Excluded Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose addresses are in places outside Hong Kong and to whom the Directors are of the view that it would be necessary or expedient to exclude from the Open Offer on account either of the legal restrictions under the laws of the places of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place

"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Last Trading Day"	Thursday, 5 July 2012, being the date of the Underwriting Agreement
"Latest Practicable Date"	16 August 2012, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on Tuesday, 4 September 2012 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment, for, the Offer Shares
"Latest Time for Termination"	4:00 p.m. on the fourth Business Day after the Latest Time for Acceptance or such other time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
"Offer Share(s)"	720,000,000 new Shares to be offered to the Qualifying Shareholders to subscribe pursuant to the Open Offer
"Open Offer"	the issue of the Offer Shares to the Qualifying Shareholders at the Subscription Price on the basis of two Offer Shares for every one existing Share held on the Record Date on the terms pursuant to the Prospectus Documents
"Posting Date"	Tuesday, 21 August 2012 or such later date as may be agreed between the Underwriter and the Company, for the despatch of the Prospectus Documents

"PRC"	the People's Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"Prospectus"	this prospectus
"Prospectus Documents"	the Prospectus and the Application Form(s)
"Qualifying Shareholders"	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	Monday, 20 August 2012, the record date for the determination of the entitlements of the Qualifying Shareholders for the Open Offer
"Registrar"	the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SFO"	Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price per Offer Share, being HK$0.10
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Take-Up Undertaking"	the irrevocable undertaking executed by Mr. Zhuang Yuejin on 5 July 2012 in favour of the Company to subscribe for all of the Offer Shares he will be entitled under the Open Offer

"Trading Day"	the day on which the Stock Exchange is open for trading
"Underwriter"	Tanrich Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Underwriting Agreement"	the underwriting agreement dated Thursday, 5 July 2012 (after trading hours) entered into between the Company and the Underwriter relating to the underwriting and other arrangements in respect of the Open Offer
"Underwritten Shares"	480,420,000 Offer Shares that the Underwriter has agreed to subscribe or procure subscribers to subscribe for, which are not subscribed by the Qualifying Shareholders (other than Mr. Zhuang Yuejin) pursuant to the Underwriting Agreement
"%"	per cent.

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

Basis of the Open Offer	Two (2) Offer Shares for every one (1) existing Share held on the Record Date
Subscription price	HK$0.1 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	360,000,000 Shares
Number of Offer Shares	720,000,000 Offer Shares with aggregate nominal value of HK$72,000,000
Amount to be raised by the Open Offer	Approximately HK$72,000,000 (before expenses)
Basis of entitlement	Offer Shares will be allotted in the proportion of two (2) Offer Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date. No Offer Share will be offered to the Excluded Shareholders
Right of excess application	No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement
Underwriter	Tanrich Capital Limited
Number of Offer Shares undertaken to be subscribed by Mr. Zhuang Yuejin, the chairman of the Board	239,580,000 Offer Shares
Number of Underwritten Shares	480,420,000 Offer Shares
Number of Shares in issue upon completion of the Open Offer	1,080,000,000 Shares

The expected timetable for the Open Offer set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any such change will be announced by way of a separate announcement by the Company as and when appropriate.

Event	
Latest time for payment for and acceptance of the Open Offer	4:00 p.m. on Tuesday, 4 September 2012
Latest time for the Open Offer becomes unconditional	4:00 p.m. on Monday, 10 September 2012
Announcement on results of the Open Offer	Tuesday, 11 September 2012
Share certificates of Offer Shares to be posted	Wednesday, 12 September 2012
Dealings in Offer Shares expected to commence	Thursday, 13 September 2012
Effective date of change in board lot size from 12,000 Shares to 36,000 Shares	Thursday, 13 September 2012
Designated broker starts to stand in the market to provide matching services for odd lot of Shares	Thursday, 13 September 2012
Last day for the designated broker to stand in the market to provide matching services for odd lot of Shares	Friday, 5 October 2012

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE OFFER SHARES

All times stated in this Prospectus refer to Hong Kong time. The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 4 September 2012. Instead the latest time for acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 4 September 2012. Instead the latest time for acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place at the Latest Time for Acceptance, the dates mentioned in the section headed "Expected Timetable" in this Prospectus may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

The Underwriter may by notice in writing to the Company served prior to the Latest Time for Termination, terminate the Underwriting Agreement, on any of the following grounds:

1. in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

   (a) 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 nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

   (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

3. there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

4. any event of *force majeure* including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole; or

6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or

7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement, the Prospectus Documents or other announcements in connection with the Open Offer.

If prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter; or

(2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter,

then and, in such case, the Underwriter may, by notice in writing given to the Company on or before 4:00 p.m. on the fourth Business Day after the Latest Time for Acceptance, rescind the Underwriting Agreement.

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: 8321)

Executive Directors:
Mr. Zhuang Yuejin
Mr. Pak Ping
Ms. Ruan Bixia
Mr. Wong Ho Yin

Independent non-executive Directors:
Mr. Mak Wai Ho
Dr. Tang Yanfei
Mr. Feng Xueben

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Workshop Nos.22-23, 6/F
Corporation Park
11 On Lai Street, Sha Tin
New Territories, Hong Kong

21 August 2012

To the Qualifying Shareholders and, for information only, the Excluded Shareholders

Dear Sir or Madam,

OPEN OFFER OF 720,000,000 OFFER SHARES AT HK$0.10 PER OFFER SHARE ON THE BASIS OF TWO OFFER SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the proposed Open Offer in the proportion of two Offer Shares for every existing Share held on the Record Date. On 10 August 2012, the Shareholders have passed the resolution approving the Open Offer at the EGM.

The purpose of this Prospectus is to provide you with, among others, further details of the Open Offer.

OPEN OFFER

Basis of the Open Offer	Two (2) Offer Shares for every one (1) existing Share held on the Record Date
Subscription price	HK$0.10 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	360,000,000 Shares
Number of Offer Shares	720,000,000 Offer Shares with aggregate nominal value of HK$72,000,000
Amount to be raised by the Open Offer	Approximately HK$72,000,000 (before expenses)
Basis of entitlement	Offer Shares will be allotted in the proportion of two (2) Offer Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date. No Offer Share will be offered to the Excluded Shareholders
Right of excess application	No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement
Underwriter	Tanrich Capital Limited
Number of Offer Shares undertaken to be subscribed by Mr. Zhuang Yuejin, the chairman of the Board	239,580,000 Offer Shares
Number of Underwritten Shares	480,420,000 Offer Shares
Number of Shares in issue upon completion of the Open Offer	1,080,000,000 Shares

As at the date of Latest Practicable Date, the Company had no outstanding derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into Shares.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not, without the prior consent of the Underwriter, repurchase any Shares, issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the Offer Shares) which right is exercisable on or prior to the Record Date from the date of the Underwriting Agreement until the Latest Time for Acceptance.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. The Company will send copies of the Prospectus to the Excluded Shareholders for their information only.

To qualify for the Open Offer, the Qualifying Shareholders must be registered as members of the Company on the Record Date and not be Excluded Shareholders. In order to be registered as a member of the Company on the Record Date, all transfer of Shares must have been lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 15 August 2012.

Closure of register of members

The register of members of the Company in Hong Kong was closed from Thursday, 16 August 2012 to Monday, 20 August 2012 (both dates inclusive) to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares has been registered during this period.

The Offer Shares

The total number of 720,000,000 Offer Shares represents:

(i) 200% of the Company's existing issued share capital as at the Latest Practicable Date; and

(ii) approximately 66.7% of the Company's issued share capital as enlarged by the issuance of the Offer Shares.

Subscription Price

The Subscription Price for the Offer Share is HK$0.1 per Offer Share, payable in cash and in full upon application by a Qualifying Shareholder. The Subscription Price of HK$0.1 per Offer Share represents:

(i) a discount of approximately 32.43% to the closing price of HK$0.148 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 34.21% to the average closing price of HK$0.152 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 34.64% to the average closing price of HK$0.153 per Share for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 13.79% to the theoretical ex-entitlement price of HK$0.116 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;

(v) a discount of approximately 82.55% to the net asset value of approximately HK$0.573 per Share of the Group as at 31 December 2011; and

(vi) a discount of approximately 5.66% to the closing price of HK$0.106 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net Subscription Price (after deducting the commission fees and relevant expenses) will be approximately HK$0.097 per Offer Share. The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the recent market environment and the prevailing market price of the Shares. Further consideration was given by the Board to (i) the downward trend of the price of the Shares since the initial public offering the of the Shares of the Company, (ii) the low trading volume of the Shares and (iii) the low monetary value per board lot of the Shares. Having considered the abovementioned factors and the fact that it is common for listed issuers in Hong Kong to issue shares by way of open offer at a discount to the market price in order to enhance the attractiveness of an open offer transaction, the Directors are of the view that the Subscription Price is justified as it will provide an incentive for Qualifying Shareholders to participate in the Open Offer and therefore avoid any dilutive effect as a result of the Open Offer. Meanwhile, each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. Accordingly, the Directors consider that terms of the Open Offer (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issuance of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issuance of such Offer Shares.

Certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, share certificates for all fully-paid Offer Shares are expected to be posted on or before Wednesday, 12 September 2012 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares, by ordinary post at their own risks.

Rights of Excluded Shareholders

The Prospectus Documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Board will make enquiries as to whether the issuance of Offer Shares to the Excluded Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange and details and results of such enquiries will be included in the Prospectus. If, after making such enquiry, the

Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Excluded Shareholders, the Open Offer will not be extended to such Excluded Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send the Application Form to the Excluded Shareholders.

As at the Latest Practicable Date and based on information provided by the Registrar to the Company, none of the Shareholders as recorded on the register of members of the Company has address(es) which is/are outside Hong Kong.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Excluded Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

Based on the results of the previous open offer announcement dated 11 May 2012, the Board found that there were only 8 valid acceptances (out of a total of 152 CCASS shareholders and participants on the record date) which however represented approximately 82.1% of the total number of the offer shares. It is the executive decision of the Board not to provide excess application this time so that more public shareholders could participate to invest in the Shares through the distribution mechanism of underwriting by the Underwriter with the purpose to increase liquidity of the Shares.

Comparison with rights issue

Considering (i) the low trading volume of the Shares and (ii) the low monetary value per board lot, the Board was of the opinion that the trading of nil paid rights will either incur a high transaction cost for trading of small board of Shares, which is not economical, or not be active enough for the trading of a large board of Shares. Therefore, the Board resolved to adopt a lower subscription price so as to make the Open Offer affordable and attractive to all Shareholders. Given the hindsight on the recent Share price performance, the Share price is close to the Subscription Price which means that the nil paid rights will be almost of no value.

Furthermore, compared to a rights issue, the absence of trading nil paid rights in the Open Offer reduces associated administrative work and costs thus requiring less time for completion.

The Board is of the opinion that as each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company, Shareholders are treated equally and fairly under the Open Offer.

Fractional entitlements

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Application for listing

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares shall have the board lot size of 36,000 Shares per board lot.

Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer 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. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect your rights and interests.

UNDERWRITING ARRANGEMENTS

Date of the Underwriting Agreement:	5 July 2012 (after trading hours)
Issuer:	the Company
Underwriter:	Tanrich Capital Limited
Number of Offer Shares:	720,000,000 Offer Shares
Number of Offer Shares undertaken to be subscribed by Mr. Zhuang Yuejin, the chairman of the Board:	239,580,000 Offer Shares
Number of the Underwritten Shares:	480,420,000 Offer Shares
Commission:	3% of the aggregate Subscription Price of the Underwritten Shares

Pursuant to the Take-up Undertaking, Mr. Zhuang Yuejin, the chairman of the Board, has irrevocably undertaken, inter alia, to subscribe or procure the subscription (by itself or through its nominees) for his entitlement of 239,580,000 Offer Shares under the Open Offer. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscription for the remaining 480,420,000 Offer Shares which are not taken up by the Qualifying Shareholders or to which the Excluded Shareholders would otherwise have been entitled to under the Open Offer. Accordingly, the Open Offer is fully underwritten.

Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; and (ii) none of the subscribers together with their parties acting in concert (as defined under the Takeovers Code) procured by the Underwriter will be a substantial Shareholder holding in aggregate 10% or more of the voting rights of the Company after the completion of the Open Offer.

The Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. The Underwriter is currently the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules.

Termination of the Underwriting Agreement

The Underwriter may by notice in writing to the Company served prior to the Latest Time for Termination, terminate the Underwriting Agreement, on any of the following grounds:

1. in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

   (a) 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 nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

   (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

3. there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

4. any event of *force majeure* including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole; or

6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or

7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement, the Prospectus Documents or other announcements in connection with the Open Offer.

If prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter; or

(2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter,

then and, in such case, the Underwriter may, by notice in writing given to the Company on or before 4:00 p.m. on the fourth Business Day after the Latest Time for Acceptance, rescind the Underwriting Agreement.

Conditions of the Open Offer

Completion of the Open Offer is conditional upon the fulfillment of each of the following conditions:

(1) the approval of the Independent Shareholders at the EGM of a resolution to approve the Open Offer and the Underwriting Agreement on or before the Posting Date;

(2) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents (and all other documents required to be attached thereto) duly signed by two Directors as confirmation of them having been approved by resolution of the Directors on or before the Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;

(3) the delivery to the Underwriter four copies of each of the Prospectus Documents, each duly signed by two Directors as confirmation of them having been approved by the resolution of the Directors on or before the Posting Date;

(4) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus, for information purpose only to the Excluded Shareholders;

(5) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in, the Offer Shares either unconditionally or subject to conditions which the Company accepts and the satisfaction of such conditions (if any);

(6) none of the representations, warranties or undertakings given by the Company being breached, untrue, inaccurate or misleading in any material respect;

(7) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

(8) the delivery of the duly executed Take-Up Undertaking on the date of the Underwriting Agreement; and

(9) the performance of the Take-Up Undertaking at or before the Latest Time for Acceptance.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below (for illustration purposes only):

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders other than Mr. Zhuang Yuejin subscribed for their entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders subscribed for their entitlements under the Open Offer)	
	No. of Shares	*Approximate % of the total issued Shares*	*No. of Shares*	*Approximate % of the total issued Shares*	*No. of Shares*	*Approximate % of the total issued Shares*
Directors						
Mr. Zhuang Yuejin *(Note 1)*	119,790,000	33.3	359,370,000	33.3	359,370,000	33.3
Mr. Pak Ping *(Note 1)*	14,910,000	4.1	14,910,000	1.4	44,730,000	4.1
Sub-total	134,700,000	37.4	374,280,000	34.7	404,100,000	37.4
Public Shareholders						
Underwriter and/or subscribers procured by it *(Note 2)*	–	–	480,420,000	44.5	–	–
Other existing Shareholders *(Note 3)*	225,300,000	62.6	225,300,000	20.8	675,900,000	62.6
Total	360,000,000	100.0	1,080,000,000	100.0	1,080,000,000	100.0

Note:

1. Each of Mr. Zhuang Yuejin and Mr. Pak Ping is an executive Director.

2. Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that: (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; and (ii) none of the Underwriter and the subscribers procured by them will be a substantial Shareholder holding 10% or more of the voting rights of the Company after completion of the open offer. The Underwriter has also confirmed to the Company that appropriate sub-underwriting arrangement has been made by the Underwriter to discharge its underwriting liability. Accordingly, the Company is of the view that sufficient public float can be maintained upon completion of the Open Offer.

3. In view of the sub-underwriting arrangement mentioned in note (2) above, the scenario with a public float apparently below 25% is for illustration purpose and it will not happen.

REASONS FOR THE OPEN OFFER

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

As of the Latest Practicable Date, the remaining net proceeds from initial public offering of the Shares is approximately HK$14.72 million and will be reserved to apply for the completion of the technical services agreement as mentioned in below section headed "FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS".

As disclosed in the paragraph headed "Restrictions by the PRC Government on foreign exchange" in the Risk Factors section, the Group's subsidiaries in the PRC are subject to certain procedural requirements in respect of remitting profits to the Company. As at the Latest Practicable Date, the Company does not have any specific remittance policy. In addition, the Group has historically experienced seasonality, which is expected to continue. The Group generally receives more orders in the fourth quarter than in the other quarters of the year. Therefore, the Group is necessary to reserve additional financial resources in the Group's subsidiaries in the PRC during the second half of each year. It is the liquidity management policy of the Group to maintain at least 12 months working capital for the needs of its Hong Kong headquarters so as to prevent any unexpected short term funding requirements. The Directors consider it highly likely that remittance of profits of the Group's subsidiary could be made within this 12 months period to replenish any usage of the working capital in the Hong Kong headquarters. With reference to the total administrative expenses of the Hong Kong headquarters of approximately HK$4.9 million for the year ended 31 December 2011, the remaining unutilized fund from the Placing (defined in below section headed "FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS") is approximately HK$5 million as at the Latest Practicable Date, which is then earmarked for the total administrative expenses of the headquarters in Hong Kong for the forthcoming 12 months. As a result, the Board considers that there will be not enough fund should there be any plan for further expansion of the existing business and/or for any potential acquisition opportunities as identified by the Group from time to time.

On 16 March 2012, the Company entered into a memorandum of understanding in relation to the possible acquisition ("**Possible Acquisition**") of baby carriage business (the "**First MOU**"). During the due diligence of the said business and the negotiation with the vendor, the Company found that the patent rights of the brandname of "Capella" and technology know-how in the manufacturing of baby carriages and strollers ("**IP Rights**") are held by another company and the acquisition of the IP Rights is also favourable to the Company as it is easier to manage the licensing of the IP Rights than the manufacturing and selling of baby carriage and the vender is willing to provide a profit guarantee after the acquisition of the IP Rights by the Company. After the expiration of the First MOU, the Company entered into the second memorandum of understandings dated 26 June 2012 (the "**Second MOU**") with the same vendor for the acquisition of the IP Rights ("**Potential Acquisition**") which will be licensed to the vendor exclusively for the payment of royalty fees with guaranteed profit. Pursuant to the Second MOU, if the formal agreement is not entered by the parties by 10 September 2012, the Second MOU shall be deemed to have expired unless the parties otherwise agree in writing. Therefore the Company targets to formulate a formal agreement in relation to the Potential Acquisition before its expiration.

Under the Second MOU, the Potential Acquisition will be licensed to the vendor exclusively for the payment of royalty fees with guaranteed profit. Assuming that the Potential Acquisition is valued on a price-to-earning basis, it is understandable that vendor will cash out a multiple of annual profits of the target company immediately by selling part of its shareholding to the Company while the vendor only needs to guarantee profit of the target company. In this way, the vendor can obtain an immediate cash sum while the Company can obtain the future income stream of the business of the target company.

During the negotiation process shortly after signing the First MOU, the Company was given the understanding that the vendor was willing to accept the Company's securities as a substantial form of consideration for the Possible Acquisition. However, given the weak share price performance of the Share in recent months, the payment method has aroused intense discussion and dragged on the whole negotiation. Further, considering the limited liquid position of the Group, the financial ability of the Group to support the Potential Acquisition on a continuous basis after the completion of acquisition has been put in doubt by the vendor even though neither the final consideration nor any needs for working capital support has been finally agreed. As at the Latest Practicable Date, the Company is still in the process of performing the due diligence and negotiating with the vendor on the structure, terms, payment method and consideration of the Potential Acquisition. The Board believes that, with a strong cash position to support the Potential Acquisition, the Company can negotiate better terms with the vendor.

The vendor of the First MOU and Second MOU was introduced to the Company by Mr. Zhuang Yuejin, the chairman of the Board. To the best knowledge of the directors of the Company and having made all reasonable enquiries, the vendor and its ultimate beneficial owner(s) are third parties independent of and not connected with the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or any of their respective associates as defined in the GEM Listing Rules.

The Board considers that the Potential Acquisition represents a good investment opportunity to the Company in that the target company has (a) a reputable product brand-name which is well recognized in the baby stroller industry, (b) a strong technological research capability and (c) a strong demand from overseas customers, and more importantly the vendor is willing to provide profit guarantee to the Company subsequent to the Potential Acquisition. Further, the Potential Acquisition may create synergies effect with the existing business of the Group by applying the know-hows in the two businesses in the manufacturing and sales of baby seats used inside motor vehicles. These are the reason why the Board is willing to further pursue on the Potential Acquisition and considers it appropriate to put forward the Open Offer shortly after the open offer completed in May 2012.

The estimated net proceeds from the Open Offer will be approximately HK$69.5 million (after deducting the commission and expenses in relation to the Open Offer). The Board intends to apply the net proceeds from the Open Offer as to HK$61.2 million for the Potential Acquisition, and as to HK$8.3 million for general working capital purposes. As mentioned in below section headed "FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS", an amount of approximately HK$10.8 million has been reserved for the Potential Acquisition. The total amount available for the Potential Acquisition will be approximately HK$72 million. As the vendor is located in Hong Kong, the final cash portion of the consideration for the Potential Acquisition will be settled in Hong Kong if the transaction proceeds. All the net proceeds from the Open Offer will be reserved in the Company's bank account in Hong Kong. The Board confirms that if the final cash portion of the consideration for the Potential Acquisition significantly exceeds this amount, the Company will cease to proceed further on the Potential Acquisition. If the Potential Acquisition is not materialized eventually, the unutilized amount will be retained in Hong Kong and used for future acquisition opportunities.

The Board considers that the Open Offer will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company. Accordingly, the Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The Board confirms that apart from the Potential Acquisition, there are no negotiations or agreements relating to any intended acquisitions which are discloseable under Chapters 19 to 20 of the GEM Listing Rules. Should the Company decides not to proceed with the Potential Acquisition, the Company intends to apply the net proceeds of the Open Offer for other possible acquisition activities as identified by the Group from time to time and/or as the working capital of the Group. Should there be any changes to the utilization of proceeds of the Open Offer, the Company will publish an announcement to notify the Shareholders of such changes as soon as practicable.

FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

Set out below are the fund raising activities conducted by the Company from 21 September 2010, being the date of the prospectus in relation to the initial public offering of the Shares of the Company and up to the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
21 September 2010	Initial public offering of the Shares	Approximately HK$30.60 million	(i) Expansion of production capacity; and (ii) development of new products*	Approximately HK$15.88 million was utilized as to (i) approximately HK$10.08 million for expansion of production capacity; and (ii) approximately HK$5.8 million for development of new products. On 23 March 2012, the Group entered into a technical services agreement with Donghua University, pursuant to which the university agreed to provide technical services to help the Group upgrading its existing manufacturing technology and will incur a service fee of RMB12 million (approximately HK$14.72 million). The Board intended to apply the unutilized net proceeds for the completion of the technical services agreement which is related to the expansion of production capacity.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
				As at Latest Practicable Date, the balance of the unutilized net proceeds of approximately HK$14.72 million was placed as bank deposits and temporarily used as general working capital.
17 October 2011	Placing of new Shares under the general mandate at the placing price of HK$0.25 per placing Share (the "**Placing**")	Approximately HK$9.0 million	(i) To finance any opportunistic investments should appropriate opportunities arise and where the Directors consider it is in the interest of the Company to do so; and (ii) for general working capital of the Group	(i) Approximately HK$2.9 million was applied for the payment of administrative expenses for the Group; and (ii) approximately HK$1.2 million was applied for the repayment of a loan As at Latest Practicable Date, the remaining net proceeds from the Placing of approximately HK$4.9 million was placed as bank deposits
23 March 2012	Open offer on the basis of 1 offer share for every 2 shares held at the subscription price of HK$0.1 per offer share	Approximately HK$10.8 million	To finance the Possible Acquisition	Will be used for the Potential Acquisition

* The Board resolved to change the proposed use of net proceeds from the initial public offering of the Shares on 22 November 2011.

Save and except for the above, the Company had not conducted any other equity fund raising activities from 21 September 2010, being the date of the prospectus in relation to the initial public offering of the Shares, and up to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial Review

The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts. The Group also accepts sales orders on trading of nonwoven fabric. For the six months ended 30 June 2012, the Group's revenue increased to approximately RMB71.5 million compared to approximately RMB69.9 million in the corresponding period in 2011, representing an increase of approximately 2.3%. Such increase was mainly contributed by the sales orders on trading of nonwoven fabric. The gross profit of the Group for the six months ended 30 June 2012 decreased to approximately RMB13.5 million compared to approximately RMB14.9 million for the corresponding period last year, representing a drop of approximately 8.7% as well as decrease in the gross profit margin for the six months from approximately 21.3% in the corresponding period last year to 18.8%. Such decrease was primarily attributable to increase in raw material prices during the second quarter of 2012. After the commitment of tight cost-controls, the selling and distribution costs and administrative expenses were decreased by approximately 3%. As a result, the profit attributable to the owners of the Company for the six months ended 30 June 2012 remained stable at approximately RMB3.4 million.

Business Progress

As disclosed in the prospectus of the Company dated 21 September 2010, to achieve the business objective, the Group intended to: (1) expand the production capacity, (2) develop new products, and (3) acquire a land for the construction of new factory premises. Up to the Latest Practicable Date, the Group completed, among others, upgrading two existing production lines, installing new equipment for perfection of production and developing noise-absorbing and heat-insulating nonwoven fabric. In addition, the Group entered into a technical service agreement with Donghua University on 23 March 2012, pursuant to which the university will provide technical services to help the Group further upgrade its existing manufacturing technology and process and to assist the Group in the research and development of, among others, recyclable, biodegradable and functional nonwoven fabric products together with the corresponding processing technology.

In relation to the acquisition of land for the construction of new factory premises, the Group originally intended to acquire a land situated in Xibeiyuan District of the Xishan Economic Development Zone of Jiangsu Province, the PRC for the construction of new factory premises. Given the current inadequate supporting infrastructure to such land, the Group has not yet been able to reach a proposal on the terms of acquiring land with the Management Committee of Xibeiyuan District of the Xishan Economic Development Zone of Jiangsu Province. The Group has also attempted to explore another piece of land located close to the Group's existing factory premises in Fonqian Town with favorable offer for the construction of new factory premises, but as yet no suitable land has been identified. The Group will continue to identify suitable land with favorable offer for the construction of factory premises.

Prospects

According to the statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles for the seven months ended 31 July 2012 was approximately 8,785,600 units and 8,735,100 units, representing an increase of 8.52% and 7.53% compared with the corresponding period of last year. The Group expected that this trend will continue and the production and sales of passenger vehicles in the PRC will record an steady growth in 2012.

To keep a steady pace of development, the Group will continuously deploy its resources on:

1) improving the production lines in order to expand the production capacity;

2) installing new machineries to suit the customers' varying requirements and demand on high-end products;

3) conducting research and development to keep up with the latest technological trends in relation to product specifications;

4) accelerating the launch of new products to capture extra market share and expand the market coverage in the PRC; and

5) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric industry in the PRC.

Apart from focusing on its existing business, the Group has kept abreast of any other potential investment opportunities, which shall be with a profitable potential and an investment size manageable by the Group, so as to enhance the value of investment of its Shareholders.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Tuesday, 14 August 2012 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer are subject are fulfilled (which is expected to be at 4:00 p.m. on Monday, 10 September 2012), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

PROCEDURE FOR APPLICATION, ACCEPTANCE AND PAYMENT

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to apply for the number of Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Qualifying Shareholders should note that they may apply for any number of Offer Shares only up to the number set out in the Application Form. If Qualifying Shareholders wish to apply for all the Offer Shares offered to them as specified in the Application Form or wish to apply for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have applied for with, the Company's branch share registrar, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 4 September 2012.

All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers' cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "China Automotive Interior Decoration Holdings Limited — PAL" and crossed "Account Payee Only". It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Company's branch share registrar, Tricor Investor Services Limited, by 4:00 p.m. on Tuesday, 4 September 2012, the entitlements of the respective Qualifying Shareholders under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

The Application Form is for the use by the person(s) named therein only and is not transferable.

No receipt will be issued in respect of any application monies received. Any Offer Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter. The Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single Shareholder according to the register of members of the Company.

TAXATION

All Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, holding, disposing of or dealing in the Offer Shares. It is emphasized that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the application for, holding, disposal of, or dealing in the Offer Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

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

RISK FACTORS

Shareholders and prospective investors should consider carefully all the information set out in this Prospectus and, in particular, should evaluate the following risks in connection with an investment in the Company before making any investment decision in relation to the Company.

RISKS RELATING TO THE GROUP'S BUSINESS

Reliance on major customers

For each of the three years ended 31 December 2011, the largest customer of the Group accounted for approximately 19.8%, 17.1% and 19.4% respectively of the Group's turnover. During the same period, the five largest customers of the Group accounted for approximately 64.2%, 60.5% and 64.4% of the Group's total revenues respectively.

If any of these customers ceases to do business with the Group, or substantially reduces the volume of its business with the Group and if the Group is unable to secure new customers with similar sales volume and profit margin, the Group's business, results of operations and financial position may be materially and adversely affected.

Although the Group has entered into purchasing agreements with its major customers on a yearly basis, it is possible that the purchasing agreement(s) with the Group will not be renewed on favourable terms or at all. If any of the Group's customers terminates or does not renew its purchasing agreement(s) with the Group, the Group may not be able to find a new customer in a timely manner or on terms acceptable to the Group or at all, and any new customer may not create as much sale as the Group has with customers which have been terminated, which will adversely affect the sales performance of the Group and thus its overall results of operation and financial position.

Reliance on raw materials

The Group's production requires large quantities of raw materials, which are mainly artificial and synthetic fibres, for the production of nonwoven fabric. There is no assurance that the Group will always be able to secure an adequate supply of raw materials at commercially viable prices to meet the Group's future production requirements. Moreover, fluctuations in the prices of the raw materials may increase the cost of inventories sold and reduce the gross profit and gross margin of the Group. If the Group encounters a shortage of raw materials or if the Group is unable to pass on the price increases of raw materials to its customers in a timely manner, the business and results of operations of the Group could be adversely affected.

Reliance on limited number of suppliers

For each of the three years ended 31 December 2011, the largest supplier of the Group accounted for approximately 34.6%, 27.0% and 22.8% respectively of the Group's total purchase of raw materials, while the five largest suppliers of the Group accounted for approximately 81.0%, 67.6% and 67.1% respectively of the Group's total purchase of raw materials.

The Group only entered into supply agreements with some of its major suppliers and the Group procured raw materials from certain suppliers which had not entered into agreement with the Group through purchase orders issued by the Group to the supplier from time to time specifying the price, purchase quantity and other specifications. In the event that the Group's suppliers who have entered into supplier agreements do not renew the agreements on favourable terms or at all, or if the Group's suppliers do not continue to supply raw materials to the Group at favourable or similar prices or at all, the Group may not be able to find another suitable replacement supplier in a timely manner or on terms acceptable to the Group or at all, and the Group's business, results of operations and financial condition could be adversely affected.

Reliance on key executives

The Group's success is attributable to, amongst other things, the expertise and experience in the nonwoven fabric industry of the executive Directors such as the Group's founders Mr. Zhuang Yuejin and Mr. Pak Ping and the members of the Group's senior management and their relationships with the Group's major customers and suppliers. Although each of the executive Directors has signed a service agreement with the Group, the loss of the services of any of the executive Directors or members of the Group's senior management in the absence of any suitable replacements could have a material adverse effect on the Group's operations and future profitability.

Reliance on production facilities and machines

The Group depends on efficient and uninterrupted operations of its production facilities and machines to meet the demands and fulfil the contractual obligations with the Group's customers and other purchasers. Power failures or disruptions, breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to fire or natural disasters such as severe winter storms or earthquakes would severely affect the Group's operations. While the Group maintained insurance policies covering certain of its assets as at the Latest Practicable Date, the Group's insurance policies may not be sufficient to compensate for the actual cost of replacing or repairing such assets. Furthermore, the Group did not carry any business interruption insurance which can cover loss of profit/income and increase in expenses as a result of the losses of covered assets. Any such events and any losses or liabilities that are not covered by the Group's current insurance policies could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Reliance on single production plant

The Group conducts all of its manufacturing activities in its only production plant located in Wuxi of Jiangsu province of the PRC. Should there be any interruption in, or prolonged suspension of any substantial part of the production facilities, or any damage to or destruction of the production facilities arising from unexpected or catastrophic events, the Group's production and hence its operation and financial position will be adversely affected.

Reliance on the PRC market

Most of the Group's assets are located in the PRC, and all of the Group's products are sold in the PRC market. If there is any adverse change in the financial, economic, industrial, political, fiscal, social, legal or regulatory conditions in the PRC, the Group's performance may be adversely affected.

Risk relating to seasonality

The Group has historically experienced seasonality, which is expected to continue. The Group generally receives more orders in the fourth quarter than in the other quarters of the year. The Directors believe the reason for this is the traditional peak season of sales in the automotive market in the fourth quarter of the year in the PRC due to higher demand before the New Year and the Chinese New Year. Although the Company issues quarterly reports, investors should be aware that comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance due to the seasonality factors.

Risk relating to the Group's adaptability to customers' varying requirements and demand

Although the industry which the Group operates in is not-so-highly skilled and the majority of the Group's products are sold in non-molding form, most of the products of the Group are tailor-made for customers according to specific requirements and demand to its dimension, density, patterns, PE/PP treatments, etc. The successful development of tailor-made products and the smooth and efficient running of the production lines are essential to deliver an acceptable yield of tailor-made products to customers within a designated time. Factors such as lack of technology, machinery, skills, expertise or manpower would result in the Group failing to meet customers' requirements. In the event that the Group's products cannot suit customers' requirements or demands, the Group's relationship with customers could be adversely affected. The loss of customers or a reduction in the quantity of customers' orders would adversely affect the Group's business operations and profitability.

Risk relating to the Group's ability to keep up with technological changes in the market in order to remain competitive

The Group's performance depends on the Group's ability to continually adapt its existing products and technological know-how, timely recruitment of personnel with the relevant skills and deployment of new machinery to develop new products and technologies which keep up with the latest technological trends in relation to product specifications. In order to remain competitive, the Group has to invest funds and resources, which include staff and machinery, to the continued research and development of existing and potential products. However, the effect of emerging and future technological changes in relation to product specifications to the Group's research and development plans or the Group's competitiveness is unpredictable. The inability to respond to the technological developments and requirements in the market may lead to the loss of customers, hence adversely affecting the Group's business operations and profitability. If the Group is not able to respond to new developments successfully or do not respond in a cost-effective way, the Group's operations and financial results could be materially adversely affected.

No assurance that the Group will be able to maintain or increase its historical levels of turnover or profitability

The total turnover of the Group amounted to approximately RMB87.36 million, RMB123.09 million and RMB156.48 million for the three years ended 31 December 2011 respectively. The Group's net profit for the three years ended 31 December 2011 were approximately RMB12.08 million, RMB14.50 million and RMB18.85 million respectively, representing a net profit margin of approximately 13.80%, 11.78% and 12.05% respectively during the same period. Investors should be aware that there is no assurance that the Group will be able to increase or maintain its historical turnover or profit levels.

Continuation of preferential tax treatment currently enjoyed by the Group cannot be assured

The Group's operating subsidiary, Joystar (Wuxi) Automotive Interior Decoration Co., Ltd. ("**Joystar Wuxi**"), was subject to the PRC Enterprise Income Tax Law Concerning Foreign-Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) prior to 1 January 2008. Under this law and its related regulations, a foreign-enterprise operating in an economic and technological development zone was subject to enterprise income tax at a statutory rate of 24%. In addition, certain foreign invested enterprises were entitled to an exemption from enterprise income tax for a period of two years starting from the first profit-making year, followed by a reduction of enterprise income tax by 50% for the following third to fifth years. Joystar Wuxi obtained approval from the Wuxi High-end and New Technology Industry Development District National Tax Bureau (無錫高新技術產業開發區國家稅務局) to enjoy preferential tax treatment in accordance with such laws and regulations starting from the year 2006. As a result, Joystar Wuxi enjoyed 50% reduction of enterprise income tax for the following three profit-making years ended 31 December 2008, 2009 and 2010 at the reduced rate of 12.0%. On 16 March 2007, the PRC National People's Congress enacted the Enterprise Income Tax Law, and on 6 December 2007, the PRC State Council issued the Regulations on the Implementation of the Enterprise Income Tax Law (企業所得稅法實施條列), both of which became effective on 1 January 2008. The Enterprise Income Tax Law imposes a uniform tax rate of 25% on all PRC enterprises, reductions and preferential treatments available under previous tax laws and regulations. Due to the change of the uniform tax rate from 24% to 25% under the new Enterprise Income Tax Law, the actual tax rate applicable to Joystar Wuxi has been 12.5% since the commencement of the new law in January 2008.

Pursuant to PRC Enterprise Income Tax Law, an innovative and high-end technology enterprise may enjoy a preferential enterprise income tax rate of 15% ("**IHT Enterprise Rate**"). On 22 December 2009, Joystar (Wuxi) obtained the "Certificate of Innovative and High-end Technology Enterprise" with validity period of three years. The IHT Enterprise Rate enjoyed by Joystar Wuxi will expire in December 2012. Consequently, the applicable income tax rate of Joystar Wuxi for the year ended 31 December 2011 is 15%.

Despite being eligible for the IHT Enterprise Rate, there is no assurance that Joystar Wuxi would remain qualified as an innovative and high-end technology enterprise so as to enjoy the IHT Enterprise Rate after the expiry of the Certificate of Innovative and High-end Technology Enterprise on 21 December 2012, in which case Joystar Wuxi will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect the Group's profitability, which may have a material adverse effect on the Group's business, results of operations and financial condition. Also, there can be no assurance that the PRC Enterprise Income Tax Law, its application or its interpretation will not continue to change, in which case the effective income tax rate of Joystar Wuxi may increase significantly.

RISKS RELATING TO THE INDUSTRY

Adverse changes in the PRC's economic conditions

The growth of both automobile and automotive interior decorations markets are linked to the PRC's economic climate. The Group's main customers are primary manufacturers and suppliers of automotive interior decoration components in the PRC. In the event of an economic downturn in the PRC or that the growth of the economy in the PRC is at a lesser pace than anticipated, the demand for automobiles and automotive interior decorations may decline or grow at a lesser pace than anticipated and, therefore, the Group's operating results and profitability could be adversely affected. Moreover, if the automobiles using the interior decoration items made from the Group's products are subject to recall, the Group's operating results and profitability could be adversely affected.

Adverse changes in automotive industry

The Group's sales volume of its products largely depends on the demand from its main end-user, the automobile manufacturers, whose sales are dependent on the overall development of the automotive industry worldwide. While there has been an increase in the number of automobiles manufactured in the PRC for the past years, there is no assurance that the growth will continue or the growth rate will maintain or increase since past events are not necessary indicative of future performance and there may be risks associated with historic growth rates which may be realized in the future. If the demand for automobiles decline, so as the demand for automotive interior decoration products, and therefore, the Group's operating results and profitability could be adversely affected.

In addition, even if there is no change in the demand for automobiles, there is no assurance that the profitability level of the automobile manufacturers will increase or maintain. Various factors such as competition, price cutting, stringent standards imposed upon the automotive industry can have an adverse effect on the profitability of the automobile manufacturers. If the profitability of the automobile manufacturers declined, it is possible that the automobile manufacturers would be more conservative as to the costs and demand for automotive interior decoration products, and therefore, the Group's operating results and profitability could be adversely affected.

Reliance on oil import may also affect the automotive industry in the PRC since the industry will be directly subject to any volatility in the price and supply of oil. Any volatility in the price and supply of oil could have an adverse effect on the demand, production costs and production volumes of automobiles. With the Group's business closely connected to the demand and supply of automobiles, the Group's operating results and profitability could be adversely affected.

Alternative products and changes in market preferences could render some of the Group's products uncompetitive

Some of the Group's products could be rendered uncompetitive or obsolete if substitute products developed or other existing alternatives are more preferred by the market. Even if new products or enhancements of the Group's existing products are developed, such new products or enhancements may not achieve widespread market acceptance and any failure of future products or product enhancements to achieve market acceptance may adversely affect the Group's business prospects and results of operations.

RISKS RELATING TO THE PRC

As most of the Group's assets are located in the PRC, and most of the Group's turnover is derived from the operations in the PRC, the Group's business, financial condition, results of operations and prospects are subject to economic, political and legal developments in the PRC.

Effect of changes in the PRC economic, political and social conditions and government policies

The Chinese economy differs from the economies of most developed countries in a number of aspects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources. The Group's products are highly linked with the automotive industry, which may experience different changes in government policies and regulations at any time. The PRC government has implemented measures for economic reform and continues to play a significant role in regulating industries by imposing industrial policies. The Directors cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on the Group's current or future business, results of operations or financial condition.

Effect of the PRC tax laws

According to the PRC Enterprise Income Tax Law (the "**EIT Law**") and the Regulations to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "**Tax Regulations**") which became effective on 1 January 2008, if the Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to the Company by its PRC incorporated subsidiaries, unless the Company is entitled to reduction or elimination of such tax, including by tax treaties.

According to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) entered into between the PRC and Hong Kong, the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% if the Hong Kong enterprise owns at least 25% of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%. Since Joystar International Investment Limited ("**Joystar HK**") is holding 100% equity of Joystar Wuxi, Joystar HK is subject to a dividend withholding tax rate of 5% in case Joystar Wuxi pays dividend to its shareholder Joystar HK under the above arrangement.

According to the EIT Law and the Tax Regulations, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Substantial members of the management of the Group are located in the PRC. The Company may therefore be deemed to be a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on its worldwide income (including dividend income received from its subsidiaries) which excludes the dividends received directly from another PRC tax resident. Similarly, if the Company is considered a PRC "resident enterprise", the dividends paid by the Company with respect to the Shares to the non-PRC Shareholders, or the gain the non-PRC Shareholders may realise from the transfer of the Shares, may be treated as income derived from sources within the PRC and be subject to the PRC income tax.

If the Company is required under the EIT Law to withhold the PRC income tax on dividends payable to its non-PRC Shareholders or investors that are "non-resident enterprises", or if the Shareholders are required to pay the PRC income tax on the transfer of their Shares, the value of the Shareholders' investments in their Shares may be materially and adversely affected.

Restrictions by the PRC Government on foreign exchange

At present, RMB is not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under the Group's current corporate structure, apart from raising capital from the capital market, the Company's sources of funds will primarily consist of dividend payments by our subsidiaries in the PRC denominated in RMB. There is no assurance that the Group will be able to meet all of its foreign currency obligations or be able to remit profits out of the PRC. If the subsidiaries are unable to obtain SAFE approval to remit profits to the Company, or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to the Company, the Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially and adversely affected.

Effect of government control of currency and future movements in exchange rates

Since 1994, the conversion of RMB into foreign currencies, including Hong Kong dollars, had been based on exchange rates set by the People's Bank of China. The People's Bank of China sets the exchange rates daily based on the previous day's interbank foreign exchange market rates in the PRC and the current exchange rates in the financial markets. Since then, the official exchange rate for the conversion of RMB to US Dollars had generally been stable as it was pegged against the US Dollar. On 21 July 2005, the PRC changed its currency policy and abandoned the peg of RMB against US Dollars in favour of a managed float of the RMB based on market demand and supply with reference to a basket of currencies and their weightings. In August 2008, the PRC revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. It is expected that the PRC may further reform its exchange rate system in the future. As the exchange rate of RMB is allowed to move in a less managed way, there can be no assurance that the RMB will not further appreciate or that other measures will not be introduced to address the concerns of the PRC's trading partners. There is also no assurance that such exchange rate will continue to remain stable in the future. Since all amounts of the income and profit of the Group are denominated in RMB, any fluctuations in the value of the RMB may adversely affect the value of dividends, if any, payable on the Shares in Hong Kong dollars.

RISKS RELATING TO THE OPEN OFFER

Termination of the Underwriting Agreement

Shareholders and prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement giving notice in writing to the Company upon the occurrence of any of the events stated in the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" of this Prospectus on or before 4:00 p.m. on the fourth Business Day after the Latest Time for Acceptance.

Dilution of Shareholders' equity interests

The Group may require additional funds in the future to finance its expansion of business and operations. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the interests of the existing Shareholders may be diluted as a result of such equity fund raising.

Protection to minority shareholders under Cayman Islands law

As a company incorporated in the Cayman Islands, the Company's corporate affairs are governed by the memorandum and the articles of association of the Company, the Companies Law and common law of the Cayman Islands. Cayman Islands law relating to the protection of the interests of minority shareholders differs in certain respects from those established under statutes and under judicial precedents in Hong Kong or other jurisdictions. Such difference may mean that the remedies available to the Company's minority shareholders may be different from those they would otherwise have or are familiar with under the laws of Hong Kong or other jurisdictions.

RISKS RELATING TO THE POTENTIAL ACQUISITION

Growth potential of the target company will be affected if it cannot be successful in introducing new designs and products or making innovations in its existing products

The continued success of the target company depends on its ability to consistently make improvements to existing products as well as to create new products, through its R&D, for commercialization. It introduces and upgrades new products and innovations to existing products from time to time. Should the target company fails in introducing new designs and products or making innovations to its existing products, its business may be adversely affected. Hence, if the target company's R&D capability were to deteriorate significantly, its business model may not be viable.

The target company's reputation could be harmed and financial condition and results of operations could be adversely affected if the reputation and market acceptance enjoyed by the "Capella" brands were to deteriorate

The target company derives substantial benefits from the reputation and market acceptance of "Capella" brands. If the target company is unable to effectively promote its brand, the target may lose the substantial benefits currently enjoy from its brand recognition, and the results of operation and financial condition could be adversely affected.

Failure to adhere to quality and safety standards may adversely affect the target company's financial condition and results of operations

The durable juvenile product industry is subject to quality and safety standards in jurisdictions where the products are produced or exported to due to the need to protect infants and children from harm arising from defective products. Strollers and children's car safety seats may be subject to mass recalls if there are incidents of such models allegedly resulting in injury or death to infants or children. If the target company fails to adhere to quality and safety standards that meet the expectations of end-consumers when manufacturing its products, the target company's reputation may be harmed, the target company may lose critical customer orders, or its products may be recalled and it may face product liability claims.

Potential product liability claims if our products are defective or are unfit for their intended use

If the products of the target company are unfit for their intended use or contain design or manufacturing defects, it may face product liability claims from customers or distributors or end users of the products. If any such claims are made, the target company's reputation may also be adversely affected, which may lead to loss of future business and consequently the business, financial condition, results of operations and prospects could be materially adversely affected.

1. THREE YEARS FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2009, 31 December 2010 and 31 December 2011, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2010 (pages 41 to 99) and 31 December 2011 (pages 35 to 111) respectively. The said annual reports of the Company are available on the Company's website at www.joystar.com.hk and the website of GEM at www.hkgem.com.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, our Group has outstanding borrowings of approximately RMB30,085,000, details of which are set out below:

	RMB'000
Borrowings	30,000
Finance lease payables	85
	30,085

The range of effective interest rates on borrowings for the period ended 30 June 2012 is 5.5% to 7.2% per annum.

As at 30 June 2012, our Group had total borrowings of approximately RMB30,000,000 which were secured by charges over the Group's buildings, prepaid land lease payments and trade receivables of approximately RMB7,664,000, RMB3,027,000 and RMB7,437,000 respectively. The weighted average effective interest rate on the short-term bank loans is 6.3% per annum.

As at 30 June 2012, our Group leased certain of its property, plant and equipment under finance leases. The average effective interest rate was 7.6%, with remaining lease term of 0.3 year. Our Group's finance lease payables are secured by the lessor's title to the leased assets and personal guarantee executed by a director and shareholder of the Company, and a director of Joystar (Wuxi) Automotive Interior Decoration Co., Ltd.

Disclaimers

Save as disclosed above and apart from intra-group liabilities, at the close of business on 30 June 2012, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including borrowings and other internal resources, the estimated net proceeds of the Open Offer and in the absence of unforeseen circumstances, our Group has sufficient working capital for our present requirements at least in the next twelve months commencing from the date of this Prospectus.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

A. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, addressed to the directors of the Company and prepared for the sole purpose of inclusion in this prospectus.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

21 August 2012

The Board of Directors
China Automotive Interior Decoration Holdings Limited
Workshop Nos.22-23
6/F., Corporation Park
11 On Lai Street
Shatin, New Territories
HONG KONG

Dear Sirs,

We report on the unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of China Automotive Interior Decoration Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed issue of 720,000,000 new shares on the basis of two offer shares for every one existing share held on record date (the "**Open Offer**") might have affected the financial information presented, for inclusion in the Company's prospectus dated 21 August 2012 (the "**Prospectus**"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section B of Appendix II of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 7.31 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by Paragraph 7.31 (7) of the GEM Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31 (1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Group as at 31 December 2011 or any future date and (ii) the consolidated net tangible assets per share of the Group as at 31 December 2011 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31 (1) of the GEM Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA STATEMENT ON ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement on adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 13 of Appendix 1B and rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Open Offer on the net tangible assets of the Group as if the Open Offer had taken place on 31 December 2011.

The unaudited pro forma statement on adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2011 or at any future date.

The following unaudited pro forma statement on adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 December 2011 and adjusted to reflect the effect of the Open Offer:

Audited consolidated net tangible assets of the Group as at 31 December 2011	Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited consolidated net tangible assets of the Group per Share as at 31 December 2011 prior to the completion of the Open Offer	Unaudited consolidated net tangible assets of the Group per Share upon completion of the Open Offer (Based on minimum number of Offer Shares to be issued)
RMB'000	*RMB'000*	*RMB'000*		
(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
111,720	56,651	168,371	RMB0.3103 per Share	RMB0.1559 per Share

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2011 is based on the consolidated net assets attributable to owners of the Company of approximately RMB112,574,000 as at 31 December 2011 after deducting deferred tax assets of approximately RMB854,000 as at 31 December 2011.

(2) The estimated net proceeds from the Open Offer of approximately HK$69,500,000 (equivalent to approximately RMB56,651,000) are based on 720,000,000 Offer Shares to be issued at the Subscription Price of HK$0.1 per Offer Share after deducting estimated expenses of approximately HK$2,500,000 (equivalent to approximately RMB2,038,000). The estimated net proceeds from the Open Offer are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.81512, the prevailing rate quoted by the People's Bank of China on 11 July 2012.

(3) The above unaudited pro forma statement of adjusted consolidated net tangible assets of the Group illustrates the effect on the issue of 720,000,000 Offer Shares.

(4) The number of Shares used for the calculation of this amount is 360,000,000 which was the number of Shares in issue as at the Latest Practicable Date.

(5) The number of Shares used for the calculation of this amount is 1,080,000,000 which will be the total number of Shares expected to be in issue after completion of the Open Offer representing the existing 360,000,000 Shares in issue as at the Latest Practicable Date and 720,000,000 Offer Shares to be issued pursuant to the Open Offer.

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 Prospectus is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date, and (ii) immediately following completion of the Open Offer are as follows:

Authorised:		*HK$*
10,000,000,000	ordinary shares of HK$0.10 each	1,000,000,000
Issued and fully paid:		
360,000,000	ordinary shares of HK$0.10 each as at the Latest Practicable Date	36,000,000
720,000,000	Offer Shares to be issued	72,000,000
1,080,000,000		108,000,000

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Long Position in the Shares and the underlying Shares:

Name	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the Company's enlarged issued share capital
Mr. Zhuang Yuejin *(Note 1)*	Beneficial owner	119,790,000	239,580,000	359,370,000	33.28%
Ms. Ruan Bixia *(Note 2)*	Interest of spouse	119,790,000	239,580,000	359,370,000	33.28%
Mr. Pak Ping	Beneficial owner	14,910,000	–	14,910,000	1.38%

Note:

(1) 239,580,000 underlying Shares represent the Offer Shares which Mr. Zhuang Yuejin has undertaken to subscribe under the Take-Up Undertaking.

(2) Mr. Ruan Bixia is the spouse of Mr. Zhuang Yuejin and is deemed to be interest in all Shares held by Mr. Zhuang Yuejin under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position in the Shares and the underlying Shares

Name	Capacity and nature of interest	Number of underlying Shares held	Approximate percentage of the Company's enlarged issued share capital
The Underwriter	Beneficial owner *(Note 1)*	480,420,000	44.48%
Tanrich Financial (Management) Limited	Interest in a controlled corporation *(Note 2)*	480,420,000	44.48%
Tanrich Financial Holdings Limited	Interest in a controlled corporation *(Note 2)*	480,420,000	44.48%
Fame Harvest Group Limited	Interest in a controlled corporation *(Note 2)*	480,420,000	44.48%
Bank of East Asia (Trustees) Limited	Trustee *(Note 2)*	480,420,000	44.48%
Dr. Yip Man Fan	Founder of a discretionary trust *(Note 2)*	480,420,000	44.48%
Capital VC Limited	Interest in a controlled corporation *(Note 3)*	47,760,000	13.27%
Longlife Group Holdings Limited	Interest in a controlled corporation *(Note 4)*	49,996,000	13.89%

Notes:

(1) The Underwriter has an interest in 480,420,000 Shares as it has agreed to underwrite 480,420,000 Offer Shares under the Underwriting Agreement.

(2) The Underwriter is a wholly owned subsidiary of Tanrich Financial (Management) Limited which is in turn wholly owned by Tanrich Financial Holdings Limited. As at the Latest Practicable Date, Tanrich Financial Holdings Limited is owned as to 49.48% by Dr. Yip Man Fan of which 40.29% is held by Fame

Harvest Group Limited, 2.52% is held by Ms. Tang Yuk Lan, the spouse of Dr. Yip Man Fan and the rest is his personal interests. Fame Harvest Group Limited is wholly owned by Bank of East Asia (Trustees) Limited as the trustee of The Yip Man Fan Family Trust (the "**Trust**"). Dr. Yip Man Fan is the founder of the Trust.

Accordingly, Tanrich Financial (Management) Limited, Tanrich Financial Holdings Limited, Fame Harvest Group Limited, Bank of East Asia (Trustees) Limited and Dr. Yip Man Fan are also deemed to be interested in the said shares of the Company.

(3) According to the Corporate Substantial Shareholder Notice filed by Captial VC Limited on 9 July 2012, Capital VC Limited is deemed to be interested in the said shares of the Company as it has 100% control in CNI Capital Limited which was reported to be interested in such shares.

(4) According to the Corporate Substantial Shareholder Notice filed by Longlife Group Holdings Limited on 9 July 2012, Longlife Group Holdings Limited is deemed to be interested in the said shares of the Company as it has 100% control in Splendid Rich Holdings Limited which was reported to be interested in such shares.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling shareholder (as defined in the GEM Listing Rules) of the Company or their respective associates were interested in any business apart from the Group's businesses, which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

7. INTEREST OF COMPLIANCE ADVISOR

Save as disclosed in the section headed "INTERESTS OF SUBSTANTIAL SHAREHOLDERS" set out in Appendix III of this Prospectus, and for the underwriting commission to be paid to Tanrich Capital Limited (the "**Tanrich Capital**") for the Open Offer, neither Tanrich Capital nor any of its associates has or may, as a result of the Open Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of Tanrich Capital who is involved in providing advice to the Company has or, as a result of the Open Offer, may have any interest in any class of securities of the Company or other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interest in securities that may be subscribed for or purchased by any such director or employee pursuant to the Open Offer).

No director or employee of Tanrich Capital has a directorship in the Company or any other company in the Group.

8. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinions or advice, which is contained in this Prospectus:

Name	Qualifications
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its reports letters and references to its name and/or its advice in the form and context in which they respectively appear.

As at the Latest Practicable Date, expert did not have direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group, respectively, since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business of the Company) within the two years immediately preceding the issue of this Prospectus and up to the Latest Practicable Date and are or may be material:

(i) the Underwriting Agreement;

(ii) the Second MOU (defined in the paragraph headed "Reasons for the Open Offer" in the Letter from the Board) dated 26 June 2012 entered into between Link Excellent Limited, a wholly-owned subsidiary of the Company, and Garretson Limited, in relation to an acquisition of part of the issued share capital of Larcos Global Limited, which is a special purpose company newly established to hold the patent rights of the brandname of "Capella" and technology know-how in the manufacturing of baby carriages and strollers. As at the Latest Practicable Date, the detail terms of the proposed acquisition has yet been agreed between the parties to the memorandum of understanding;

(iii) the underwriting agreement dated 23 March 2012 entered into between the Company and the Underwriter relating to the open offer on the basis of 1 offer share for every 2 shares held at the subscription price of HK$0.1 per offer share. The net proceeds of the open offer was approximately HK$10.8 million;

(iv) the technical services agreement dated 23 March 2012 entered into between Joystar Wuxi and Donghua University, pursuant to which the university agreed to provide technical services to help Joystar Wuxi upgrade its existing manufacturing technology and process at an overall services fee of RMB12 million;

(v) the First MOU (defined in the paragraph headed "Reasons for the Open Offer" in the Letter from the Board) dated 16 March 2012 entered into between Link Excellent Limited, a wholly-owned subsidiary of the Company, and Garretson Limited, in relation to an acquisition of the entire issued share capital of Accord Sky Limited, which is principally engaged in manufacturing and selling of baby carriage under the brandname of "Capella". The Company paid an earnest money in the amount of HK$1 million to Garretson Limited. As at the Latest Practicable Date, the First MOU was expired and the HK$1 million refundable deposit has been refunded to the Company; and

(vi) the placing agreement dated 17 October 2011 entered into between the Company and Redford Securities Limited in relation to the placing of up to 40,000,000 placing shares at HK$0.25 each under general mandate. The net proceeds of the placing was approximately RMB7.4 million.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within one year without payment of any compensation (other than statutory compensation)).

11. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

12. PROFILE OF DIRECTORS

Executive Directors

Mr. Zhuang Yuejin, aged 49, is the Chairman of the Board, Chief Executive Officer of the Company and one of the founders of the Group. He was appointed as an executive Director on 12 April 2010. He has over 10 years of experience in the nonwoven textile industry. He is responsible for formulating the Group's corporate strategy, overseeing its production operations and the overall steering of the Group's strategic development.

Mr. Zhuang graduated from Xiamen Fisheries College in 1981 and was approved as a qualified engineer by the Intermediate Level Adjudication Committee of Xiamen City Marine Engineering Department in 1990. From 1997 to 2001, Mr. Zhuang was the director and the general manager of Xiamen Marine Industries (Group) Co., Limited, a PRC incorporated company and was previously listed on the Shenzhen Stock Exchange. Mr. Zhuang is the spouse of Ms. Ruan Bixia, an executive Director.

Mr. Pak Ping, aged 52, was appointed as an executive Director on 12 April 2010. Mr. Pak has over 16 years of experience in the nonwoven material and carpet industry. He is primarily responsible for coordinating the marketing activities and formulating product development strategies for the Group.

With extensive experience and profound knowledge on the nonwoven product industry, Mr. Pak co-founded the Group with Mr. Zhuang Yuejin in 2003.

Ms. Ruan Bixia, aged 47, was appointed as an executive Director on 12 April 2010. She has over 9 years of experience in the nonwoven textile industry. She is primarily responsible for supervising the delivery of customer service and the Group's expansion within the PRC market.

Ms. Ruan graduated from Fujian Chemical Industry School in July 1989. Ms. Ruan is the spouse of Mr. Zhuang Yuejin, an executive Director.

Mr. Wong Ho Yin, aged 42, was appointed as an executive Director and company secretary on 30 June 2011. He graduated from Hong Kong Polytechnic University with a Master of Corporate Governance Degree and a Bachelor of Arts Degree in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Prior to joining the Group, Mr. Wong was the financial controller and company secretary of a company listed on the Main Board of the Stock Exchange, namely Ching Hing (Holdings) Limited (currently known as Bao Yuan Holdings Limited) (Stock Code: 692), from September 2006 to October 2010. He has extensive experience in accounting and corporate compliance.

Independent Non-Executive Directors

Dr. Tang Yanfei, aged 48, was appointed as an independent non-executive Director on 12 April 2010. Dr. Tang graduated from Wuhan University of Technology with a bachelor's degree in engineering in 1984. He further obtained from Wuhan University a master's degree and a doctor's degree in Economics respectively in 1987 and 1997.

Dr. Tang was appointed as the president assistant and the manager of the development department of Shenzhen Overseas Chinese Town Holding Company (Stock Code: 000069), a PRC incorporated company listed on the Shenzhen Stock Exchange, in 1998. From 2003 to 2004, he took office as the president assistant and the general manager of the investment management department of China Oceanwide Holdings Group, a PRC incorporated company and the holding company of Oceanwide Real Estate Group Co., Ltd. (Stock Code: 000046), a company listed on the Shenzhen Stock Exchange. Dr. Tang is currently a professor and the dean of the Faulty of Business Administration of Haikou College of Economics.

Mr. Mak Wai Ho, aged 39, was appointed as an independent non-executive Director on 9 September 2011. He was graduated from the Hong Kong University of Science and Technology with a Bachelor degree in Business Administration in Finance. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a practising member of the Hong Kong Institute of Certified Public Accountants. He is a practising certified public accountant and has more than 15 years of experience in finance, accounting and auditing.

Mr. Mak was the company secretary and financial controller of Kong Sun Holdings Limited (Stock Code: 295), a company listed on the Main Board of the Stock Exchange, from September 2005 to November 2009.

Mr. Feng Xueben, aged 64, was appointed as an independent non-executive Director on 12 April 2010. Mr. Feng was approved as a qualified engineer specialising in textile machinery design by the Textile Industry Department of the People's Republic of China in 1989. Since 2003, Mr. Feng has been the chief engineer of Wuxi Jiayuan Nonwovens Technology Research Institute.

Mr. Feng was an independent director of Fujian Nanfang Textile Co., Ltd (Stock Code: 600483), a company listed on the Shanghai Stock Exchange, from June 2002 to May 2008. He was the deputy director of Nonwoven Textile Machinery Professional Committee of China Textile Machinery Association from 2007 to 2009. Since February 2010, Mr. Feng has also been an independent non-executive director of Costin New Materials Group Limited (Stock Code: 2228), a company listed on the Main Board of the Stock Exchange.

The Company has set up an audit committee comprising all non-executive directors of the Company with written terms of reference in compliance with the GEM Listing Rules. The function of the audit committee is to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee audit process and to perform other duties and responsibilities as assigned by the Board.

13. EXPENSES

The expenses in connection with the Open Offer, including the underwriting commission and professional fees payable to financial advisors, lawyers and financial printer, are estimated to be approximately HK$2.5 million and will be payable by the Company.

14. CORPORATE INFORMATION AND PARTIES INVOLVED

The Company

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong and office address of all Directors	Workshop Nos.22-23, 6/F Corporation Park 11 On Lai Street, Sha Tin New Territories, Hong Kong
Principal place of business in the PRC	No. 28 Xinfeng Road, Xinfeng Industrial Park, Fangqian Town New District, Wuxi City Jiangsu Province, the PRC
Authorised representative	Mr. Zhuang Yuejin Mr. Wong Ho Yin
Executive Directors	Mr. Zhuang Yuejin Room 1301, Block A 102 Hui Zhan South Road Xiamen, the PRC Mr. Pak Ping Room 1, 7/F, Block A Wei Chien Court, Wyler Garden Tokwawan, Kowloon, Hong Kong Ms. Ruan Bixia Room 1301, Block A 102 Hui Zhan South Road Xiamen, the PRC

	Mr. Wong Ho Yin Flat F, 18/F, Tower 1, New Haven 363 Shatsui Road, Tsuen Wan New Territories, Hong Kong
Independent non-executive Directors	Tang Yanfei Room 1101, Block 2, No.2 Wei Bo Hao Jia Yuan Wei Gong Chun Street Hai Dian District Beijing, the PRC
	Feng Xueben Room 701, Block 16 Jin Se Jiang Nan Tian Jing Hua Yuan Liang Qing Road Wuxi, the PRC
	Mak Wai Ho Flat H, 13/F., Block 2 Mount Haven Liu To Road Tsing Yi, Hong Kong
Company secretary	Mr. Wong Ho Yin
	He is a member of the Hong Kong Institute of Certified Public Accountants and a member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries
Compliance officer	Mr. Wong Ho Yin
Compliance advisor	Tanrich Capital Limited 16/F Central Plaza 18 Harbour Road, Wanchai, Hong Kong
Principal share registrar and transfer office in Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands

Branch share registrar	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal Banker(s)	Industrial and Commercial Bank of China Wuxi Xi Shan Sub-branch Ying Bin North Road Dong Ting Town Xi Shan District Wuxi City, the PRC
Legal advisor as to Hong Kong Laws (in relation to the Open Offer)	Patrick Mak & Tse 16/F, Nan Fung Tower 173 Des Voeux Road Central Hong Kong
Underwriter	Tanrich Capital Limited 16/F Central Plaza 18 Harbour Road Wanchai, Hong Kong
Financial advisers to the Company	AsiaVest Partners Limited 2605 Universal Trade Centre 3 Arbuthnot Road Central, Hong Kong Amasse Capital Limited Room 1201, Prosperous Building 48-52 Des Voeux Road Central Hong Kong
Auditors and reporting accountants	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street Central, Hong Kong

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred in the paragraph headed "EXPERT AND CONSENT" in this appendix, has been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance.

16. LEGAL EFFECTS

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the Laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than penal provisions) of sections 44A and 44B of the Companies Ordinance.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Workshop Nos.22-23, 6/F, Corporation Park, 11 On Lai Street, Sha Tin, New Territories, Hong Kong from the date of this Prospectus up to and including the Latest Time for Acceptance at 4:00 p.m. on Tuesday, 4 September 2012:

(a) this Prospectus;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for the two financial years ended 31 December 2011;

(d) the reports from HLB Hodgson Impey Cheng on the financial information and unaudited pro forma financial information of the Group, the text of which are set out on appendices I and II respectively;

(e) the written consent as referred to in the paragraph headed "Expert and Consent" in this appendix;

(f) the material contracts as referred to in this paragraph headed "Material Contracts" in this appendix; and

(g) the circular of the Company dated 25 July 2012 in relation to the Open Offer.