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中國汽車內飾集團有限公司

CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8321)

**DISCLOSABLE TRANSACTION
INVOLVING ISSUE OF NEW SHARE UNDER GENERAL MANDATE
AND ISSUE OF PROMISSORY NOTE
IN RESPECT OF
THE ACQUISITION OF 100% INTEREST IN TARGET COMPANY**

On 15 May 2013 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Purchaser, the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$42,000,000. The Consideration will be satisfied as to (i) HK\$7,600,000 in cash, (ii) HK\$20,000,000 by the issue of Promissory Note; and (iii) HK\$14,400,000 by the issue of 72,000,000 Consideration Shares at the issue price of HK\$0.20 per Consideration Share to the Vendor or its nominee(s) upon Completion.

Given that the applicable ratios under the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a disclosable transaction under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements of the GEM Listing Rules.

As Completion is subject to the fulfillment of conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, the Shareholders and potential investors in general should exercise caution when dealing in the Shares.

THE ACQUISITION

On 15 May 2013 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Purchaser, the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$42,000,000. The Consideration will be satisfied as to (i) HK\$7,600,000 in cash, (ii) HK\$20,000,000 by the issue of Promissory Note; and (iii) HK\$14,400,000 by the issue of 72,000,000 Consideration Shares at the issue price of HK\$0.20 per Consideration Share to the Vendor or its nominee(s) upon Completion.

Sale and Purchase Agreement

Date: 15 May 2013

Parties

Purchaser: Link Excellent Limited, a directly wholly-owned subsidiary of the Company

Vendor: Mr. Cheung Ngai, being the 100% beneficially owner of the Target Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, the Vendor and his associates are Independent Third Party. Upon completion, the Vendor will remain at the board of director of the Target Company and be responsible for the date-to-date operations of the Target Company.

Assets to be Acquired

The Sale Share represents the entire issued share capital of the Target Company. Upon completion of the Acquisition, the Target Company will become the subsidiary of the Company.

Consideration

The total consideration for the Sale Share is HK\$42,000,000 which shall be settled by the Purchaser in the following manner:

- (A) as to HK\$7,600,000 in form of cash in favour of the Vendor or its designated nominee(s) upon Completion;
- (B) as to HK\$14,400,000 by procuring the allotment and issue of the Consideration Shares by the Company to the Vendor credited as fully paid at HK\$0.20 per Consideration Share on Completion; and
- (C) as to HK\$20,000,000 in form of Promissory Note in favour of the Vendor or its designated nominee(s) upon Completion.

The consideration was arrived at after arm's length negotiations between the Company and the Vendor, with reference to (i) the payment term of the consideration of the Acquisition; (ii) the financial performance of the Target Company; and (iii) the reasons for the Acquisition as disclosed herein below.

Promissory Note

Pursuant to the Sale and Purchase Agreement, the Purchaser will issue the Promissory Note in the principal amount of HK\$20,000,000 to the Vendor as part payment of the Consideration upon Completion.

The Promissory Note is interest bearing at 3% per annum and will mature on the 12th month from the date of issuance.

Conditions precedent

Completion of the sale and purchase of the Sale Share is conditional upon, among other things, the satisfaction of the following conditions:

- (A) the Purchaser having completed and being satisfied with the results of the due diligence review;
- (B) key members of the existing management of the Target Company continuing to be employed by the Target Company at completion of the Acquisition and, in particular, Mr. Cheung Ngai to enter into a two years services contract with the Target Company on terms acceptable to the Purchaser;
- (C) no material adverse change having occurred to the business, assets, financial position and performance of the Target Company;
- (D) warranties on the Target Company given by the Vendor being true and accurate in all material respects when made, and being true and accurate in all material respects on and as of the Completion Date;
- (E) (if necessary) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated hereunder having been granted, received or obtained and not revoked; and
- (F) The Listing Committee of the Stock Exchange granting listing of and the permission to deal in the Consideration Shares.

The Purchaser may in its absolute discretion at any time before Completion waive any of the conditions (A), (B), (C), (D) and (E) by notice to the Vendor and such waiver may be subject to such terms and conditions as determined by the Purchaser.

Completion

Completion shall take place within 5 (five) Business Days after the date on which the last of the conditions to be satisfied shall have been so satisfied or waived (as the case may be) or such other date as the Purchaser and the Vendor may agree in writing.

Consideration Shares

72,000,000 Consideration Shares will be issued at the issue price of HK\$0.20 per Consideration Share which represents:

- (i) a premium of approximately 4.17% to the closing price of HK\$0.192 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 4.17% to the average closing price of HK\$0.192 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and
- (iii) a premium of approximately 4.71% to the average closing price of HK\$0.191 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

The Consideration Shares represent approximately 6.67% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 6.25% of the Company's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2012. As at the date of this announcement, no Share has been issued under such general mandate.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the then existing Shares in issue.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following illustrates the Company's shareholding structure, assuming there is no further change to the share capital of the Company: (i) as at the date this announcement and (ii) immediately upon the issue and allotment of the Consideration Shares:

	As at the date of this announcement		Immediately after the completion of the Acquisition	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Directors				
Zhuang Yuejin	359,370,000	33.27	359,370,000	31.20
Pak Ping	14,910,000	1.38	14,910,000	1.29
Sub-total for Directors	374,280,000	34.65	374,280,000	32.49
Vendor	—	—	72,000,000	6.25
Total non-public Shareholders	374,280,000	34.65	446,280,000	38.74
Total public Shareholders	705,720,000	65.35	705,720,000	61.26
Total	<u>1,080,000,000</u>	<u>100.00</u>	<u>1,152,000,000</u>	<u>100.00</u>

INFORMATION OF THE TARGET COMPANY

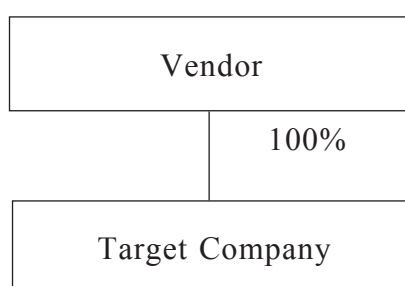
The Target Company is a company incorporated in the Hong Kong with limited liability and principally engages in trading of garment accessories, such as nylon tape, polyester tape and polyester string.

Financial information on the Target Company

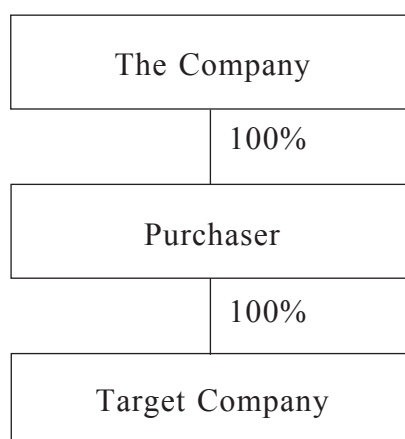
The following is the financial information of the Target Company as extracted from its unaudited management accounts for the year ended 31 March 2013 and 31 March 2012 respectively as provided by the Vendor, which were prepared in accordance with the Hong Kong accounting standards.

	For the year ended 31 March 2013 (unaudited) (HK\$ '000)	For the year ended 31 March 2012 (unaudited) (HK\$ '000)
Turnover	48,595	42,256
Profit before taxation	3,608	187
Profit after taxation	3,012	156
Net assets	7,136	4,124

Structure of the Target Company before Completion



Structure of the Target Company after Completion



REASONS FOR THE ACQUISITION

The Company is an investment holding company. The principal activities of the Group are manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and trading of rubber. It is the Group's objective to pursue its existing business and at the same time, to actively seek opportunities to diversity its existing business in order to reduce business risk.

The Group's production requires polyester fibers and therefore the management team of the Group has extensive experience and profound knowledge on the polyester fibers industry. Polyester fibers have been broadly used as raw materials for the manufacturing of garment accessories. The Target Company mainly engages in trading of nylon tape, polyester tape and polyester string, which are made of polyester fibers, for garment accessories.

By leverage its experience and expertise on polyester fibers after the Acquisition, the Directors consider that such Acquisition represents a good opportunity for the Company to strengthen its income stream of the Group and also creates synergy effect to the Target Company. In addition, as the Target Company has proven track record for the past years, the Group expects the potential returns from the investment in the Target Company will contribute positively to the financial results of the Group in the near future.

In view of the above factors, the Directors (including the independent non-executive Directors) consider the Acquisition has been made on normal commercial terms and that such terms are fair and reasonable as far as the Company and the Shareholders are concerned and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE ACQUISITION UNDER THE GEM LISTING RULES

Given that the applicable ratios under the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a disclosable transaction under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements of the GEM Listing Rules.

As Completion is subject to the fulfillment of conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, the Shareholders and potential investors in general should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisition”	acquisition of the Sale Share pursuant to the provisions of the Sale and Purchase Agreement
“Board”	board of Directors
“Business Days”	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

“Consideration”	the total consideration of HK\$42,000,000 payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration Share(s)”	72,000,000 Shares to be issued by the Company to the Vendor (or to his nominee as he may direct) as part of the consideration
“Company”	China Automotive Interior Decoration Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the GEM (Stock Code: 8321)
“Completion”	completion of the Sale and Purchase Agreement
“Completion Date”	means the business day agreed by the Purchaser and Vendor to perform Completion which shall be within 5 (five) Business Days immediately following the satisfaction (or waiver) of all the conditions (or such other date to be agreed by the Purchaser and Vendor)
“Directors”	director(s) of the Company
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party and, if applicable, the ultimate beneficial owner of the party who is not fallen into the definition of connected persons of the Company under Chapter 20 of the GEM Listing Rules and independent of the connected persons of the Company and their associates (as defined in the GEM Listing Rules)
“Last Trading Date”	the date of the Sale and Purchase Agreement
“Promissory Note”	the promissory note in the principal amount of HK\$20,000,000 to be issued by the Purchaser to the Vendor (or to his nominee as he may direct) as part of the consideration
“Purchaser”	Link Excellent Limited, a directly wholly-owned subsidiary of the Company

“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 May 2013 entered into between, among others, the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share
“Sale Share”	10,000 ordinary shares of HK\$1 in the share capital of the Target Company, representing its entire issued share capital
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Brilliant Summit Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned as to 100% by Mr. Cheung Ngai
“Vendor”	Mr. Cheung Ngai, being the 100% beneficially owner of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 15 May 2013

As at the date hereof, the executive directors are Mr. Zhuang Yuejin, Mr. Pak Ping, Ms. Ruan Bixia and Mr. Wong Ho Yin, and the independent non-executive directors are Mr. Mak Wai Ho, Dr. Tang Yanfei and Mr. Feng Xueben.

This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at <http://www.joystar.com.hk>.