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## 中國汽車內飾集團有限公司

### CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0048)**

### DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 26 May 2015, China Automotive Interior Decoration Holdings Limited (the “Company”) entered into the Agreement with the Purchaser, pursuant to which the Company has agreed to sell 100% of the entire issued share capital of the Target Company to the Purchaser at a consideration of HK\$45,000,000, which will be satisfied in full by the allotment and issue of the Consideration Shares to the Company (or its nominees) at the Issue Price.

Since the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the transaction under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

#### THE AGREEMENT

##### Date

26 May 2015

##### Parties

- (1) the Company, as the vendor and the guarantor
- (2) the Purchaser

The Company has unconditionally and irrevocably agreed to guarantee the due performance of Target Company’s obligations under the Agreement.

## **Asset to be disposed**

The Company agreed to sell 100% of the entire issued share capital of the Target Company to the Purchaser at a consideration of HK\$45,000,000 (the “Consideration”).

## **Consideration**

The consideration for the Agreement shall be HK\$45,000,000, which will be satisfied in full by the allotment and issue of the Consideration Shares to the Company (or its nominees) at the Issue Price.

The Consideration was determined after arm’s length negotiation between the Company and the Purchaser with reference to the (i) the payment term of the consideration of the Disposal; (ii) the financial performance of the Target Company; and (iii) the reasons for the Disposal as disclosed herein below.

## **Consideration Shares**

The Consideration Shares will be issued at the Issue Price which represents:

- (i) a discount of approximately 14.29% over the closing price of HK\$0.70 per Lerado Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.26% over the average closing price of approximately HK\$0.654 per Lerado Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day;
- (iii) a discount of approximately 17.98% over the consolidated net asset value of the Purchaser per Lerado Share of approximately HK\$0.7315 as at 31 December 2014.

The Consideration Shares represent (i) approximately 8.48% of the issued share capital of the Purchaser as at the date of this announcement; and (ii) approximately 7.82% of the issued share capital of the Purchaser as enlarged by the issue of the Consideration Shares immediately upon completion of the Agreement (assuming that there is no change in its issued share capital from the date of this announcement to the Completion Date save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the Lerado Shares then in issue. An application will be made by the Purchaser to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## **Conditions precedent**

Completion of the Agreement shall be conditional upon the fulfilment (or, if applicable, the waiver) of the following conditions:

- (a) the passing of the resolution(s) by the shareholder(s) of the Purchaser and the Company in accordance with the Listing Rules (if required) to approve the Agreement and the transactions contemplated hereunder; and
- (b) the Purchaser having completed and being satisfied with the results of the due diligence review; and
- (c) key members of the existing management of the Target Group continuing to be employed by the Target Group at completion of the Disposal; and
- (d) no material adverse change having occurred to the business, assets, financial position and performance of the Target Group; and
- (e) warranties on the Target Group given by the Company 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; and
- (f) (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
- (g) the listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange.

The Purchaser may in its absolute discretion at any time before Completion waive any of the above conditions (b), (c), (d), (e) and (f) by notice to the Company and such waiver may be subject to such terms and conditions as determined by the Purchaser.

## **Completion**

Completion of the Agreement shall take place on the Completion Date.

## PROFIT GUARANTEE

In the Agreement, the Company guaranteed to the Purchaser that the audited consolidated net profit after taxation of the Target Company for the eighteen-months ending 30 September 2015 shall not be less than HK\$4,000,000 (the “**Guaranteed Profit**”).

In the event the Guaranteed Profit is not achieved, the Company should pay the Purchaser (or its nominees) a compensation sum of HK\$X based on the following formula:

$$\text{HK\$X} = (\text{HK\$4 million} - \text{actual profit achieved}) \times 11.25$$

The multiple 11.25 represents the price-to-earnings ratio derived by reference to the Consideration over the Guaranteed Profit.

The maximum compensation sum is capped to the Consideration. The Guaranteed Profit shall be calculated in accordance with Hong Kong Financial Reporting Standards. Pursuant to the Agreement, the audited report for the eighteen-months ending 30 September 2015 shall be completed and presented to the Purchaser within three (3) months after the eighteen-months ending 30 September 2015. If the audited consolidated net profit after taxation for the relevant period falls short of the Guaranteed Profit, the Company will pay the Purchaser the remaining compensation in cash within ten (10) business days after the presenting of the audited report.

Further announcement will be made by the Company in the event that the Guaranteed Profit cannot be fulfilled. There is no profit adjustment mechanism to the Consideration in case the actual audited consolidated net profit after taxation for the relevant period exceeds the Guaranteed Profit.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in British Virgin Islands with limited liability and its wholly owned subsidiary (the “Subsidiary”) principally engaged in trading of garment accessories, such as nylon tape, polyester tape and polyester string.

The following is the financial information of the Subsidiary as extracted from its unaudited accounts for the year ended 31 March 2015 and audited accounts for the year ended 31 March 2014, which were prepared in accordance with the Hong Kong accounting standards.

	<b>For the year ended 31 March 2015</b>	<b>For the year ended 31 March 2014</b>
	(unaudited) (HK\$'000)	(audited) (HK\$'000)
Profit before taxation	1,103	178
Profit after taxation	921	154
Net assets	8,159	7,238

## **FINANCIAL EFFECTS OF THE DISPOSAL**

As a result of the Disposal, subject to the review by the auditors of the Company, gain on Disposal in the amount of approximately HK\$10 million in respect of the Disposal will arise upon completion of the Agreement and will recognise in the consolidated statement of profit or loss and other comprehensive income of the Company. The gain is calculated with reference to the difference between the net assets value of Target Company to the Group as at 31 March 2015 and the fair value of the Consideration as at the date of this announcement.

The Target Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the Company's consolidated financial statements.

## **REASONS FOR THE DISPOSAL**

The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and garment accessories. The Group also deploys financial resource to securities investment and investment fund to achieve earnings in the form of capital appreciation and income from dividends.

The Group diversified into the business of trading of garment accessories since the second quarter of 2013. Although the business of trading of garment accessories generated a stable income stream to the Group, the revenue generated from its garment accessories is relatively low as compared to its other businesses of the Group. As a result of the constantly increasing costs of sales and competition, the Company is of the view that its business is not expected to grow at its current rate without further investments and developments. The Board considers that the Disposal will enable the Group to focus on its other principal businesses and enhance the operation efficiency of the Group.

The Company intends to held the Consideration Shares to achieves earnings in the form of capital appreciation.

The Directors (including the independent non-executive Directors) consider that the Agreement has been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Disposal is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the transaction under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

## DEFINITIONS

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

“Agreement”	the agreement dated 26 May 2015 between the Company and the Purchaser, pursuant to which the Company has conditionally agreed to sell to the Purchaser 100% of the issued share capital of Target Company as at the date of this announcement
“Board”	the board of Directors
“Company”	China Automotive Interior Decoration Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion Date”	within five (5) business day after the date on which the last condition precedent to the Agreement is fulfilled (or, if applicable, the waiver) or such other date as the parties thereto may agree
“Consideration Shares”	75,000,000 new Lerado Shares to be allotted and issued by the Purchaser under the Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of 50,000 shares of the Target Company by the Company to the Purchaser
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	an issue price of HK\$0.60 per Consideration Share
“Last Trading Day”	26 May 2015, being the date of the Agreement
“Lerado Shares”	existing ordinary shares of HK\$0.10 each in the share capital of Lerado Group (Holdings) Company Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Purchaser”	Lerado Group (Holdings) Company Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Oriental Strategy Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 26 May 2015

*As at the date hereof, the executive directors are Mr. Zhuang Yuejin, Mr. Wong Ho Yin and Ms. Xiao Suni, and the independent non-executive directors are Mr. Mak Wai Ho, Mr. Feng Xueben and Ms. Sung Kwan Wun.*