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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**

### **(I) TERMINATION OF SUBSCRIPTION AGREEMENT AND (II) FORMATION OF JOINT VENTURE COMPANY**

#### **TERMINATION OF SUBSCRIPTION AGREEMENT**

The Board is pleased to announce that, as it is anticipated that the conditions of the Subscription Agreement cannot be fulfilled, KEEN CAPITAL, Target Company and the Other Subscriber entered into a termination agreement on 14 October 2016, pursuant to which, among others, KEEN CAPITAL, Target Company and the Other Subscriber agreed to terminate the Subscription Agreement.

The Board originally intended to applied the proceeds of HK\$24,000,000 from the Placing for investing in Target Company directly. To implement the investment plan as referred to in the Subscription Announcements, the Board resolved to change the proposed use of the Proceeds for the formation of Joint Venture Company and indirectly investing in Target Company.

#### **FORMATION OF JOINT VENTURE COMPANY**

The Board is pleased to announce that KEEN CAPITAL, BAIYE, GEO HOLDINGS and Target Company entered into the Agreement on 14 October 2016 pursuant to which, among others, KEEN CAPITAL, BAIYE, GEO HOLDINGS will establish Joint Venture Company to invest in Target Company.

The Capital Contribution for the formation of Joint Venture Company is HK\$30,004,200.

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the formation of Joint Venture Company is 5% or more and all the applicable percentage ratios are less than 25%, the formation of Joint Venture Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

**As the Agreement may or may not be completed, the Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

Reference is made to the announcement of the Company dated 28 June 2016 and 7 July 2016 in relation to the discloseable transaction regarding a proposed investment in a licensed corporation (the “Subscription Announcements”) and dated 22 August 2016 in relation to the placing of new shares under general mandate (the “Placing Announcement”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as those defined in the Subscription Announcements and the Placing Announcement.

## **TERMINATION OF SUBSCRIPTION AGREEMENT**

The Board is pleased to announce that, as it is anticipated that the conditions of the Subscription Agreement cannot be fulfilled, KEEN CAPITAL, Target Company and the Other Subscriber entered into a termination agreement on 14 October 2016, pursuant to which, among others, KEEN CAPITAL, Target Company and the Other Subscriber agreed to terminate the Subscription Agreement.

The Board considers that such termination had no material impact on the existing business operations and financial positions of the Group.

The Board originally intended to applied the proceeds of HK\$24,000,000 from the Placing (the “Proceeds”) for investing in Target Company directly. To implement the investment plan as referred to in the Subscription Announcements, the Board resolved to change the proposed use of the Proceeds for the formation of Joint Venture Company and indirectly investing in Target Company.

## **FORMATION OF JOINT VENTURE COMPANY**

The Board is pleased to announce that KEEN CAPITAL, BAIYE, GEO HOLDINGS and Target Company entered into the Agreement on 14 October 2016 pursuant to which, among others, KEEN CAPITAL, BAIYE, GEO HOLDINGS will establish Joint Venture Company to invest in Target Company.

To the best of the Directors’ knowledge having made all reasonable enquiry, BAIYE, GEO HOLDINGS, Target Company and their respective ultimate beneficial owners are Independent Third Parties.

## **DETAILS OF THE AGREEMENT**

### **Date**

14 October 2016

### **Parties**

- (1) KEEN CAPITAL;
- (2) BAIYE;

(3) GEO HOLDINGS; and

(4) Target Company

### **Formation of Joint Venture Company**

Pursuant to the Agreement, KEEN CAPITAL, BAIYE, GEO HOLDINGS agreed to establish Joint Venture Company which will be owned by as to 42% by KEEN CAPITAL, 28% by BAIYE and 30% by GEO HOLDINGS.

Joint Venture Company will principally engage in investing in Target Company.

### **Board Composition**

The board of directors of Joint Venture Company will comprise two directors, one of whom will be appointed by KEEN CAPITAL and one of whom will be appointed by GEO HOLDINGS.

### **Registered capital of Joint Venture Company**

Upon formation of Joint Venture Company, the issued share capital of Joint Venture Company will be 100 JV Shares. KEEN CAPITAL agreed to subscribe for 42 JV Shares at HK\$4,200, BAIYE agreed to subscribe for 28 JV Shares at HK\$2,800 and GEO HOLDINGS agreed to subscribe for 30 JV Shares at HK\$3,000.

Upon Completion, the issued share capital of Joint Venture Company will be increased to 100,000 JV Shares by the allotment and issue of 99,900 JV Shares. KEEN CAPITAL agreed to subscribe for 41,958 JV Shares at HK\$30,000,000, BAIYE agreed to subscribe 27,972 JV Shares at HK\$20,000,000, and GEO HOLDINGS agreed to subscribe for 29,970 JV Shares by transfer 100% of the equity interest in Target Company to Joint Venture Company (the “Shares Swap”).

Upon formation of Joint Venture Company and Completion, Joint Venture Company will be owned by as to 42% by KEEN CAPITAL, 28% by BAIYE and 30% by GEO HOLDINGS.

### **Investing in Target Company**

Target Company will be wholly-owned by Joint Venture Company and be 42% indirectly owned by the Company immediately after the Shares Swap.

Pursuant to the Agreement, within three Business days after the Completion Date, Target Company conditionally agreed to allot and issue 95,349,000 new shares of Target Company to Joint Venture Company for a cash consideration of HK\$50,000,000, which will be satisfied by the JV Subscription Money.

### **Earnest Deposits**

Pursuant to the Agreement, KEEN CAPITAL and BAIYE shall pay refundable amount of HK\$6,000,000 and HK\$4,000,000 respectively as earnest deposits.

## **Conditions**

Completion is conditional upon on or before the Completion Date, among other things, the satisfaction of the following conditions:

- (1) the Securities and Futures Commission approving GEO HOLDINGS transfer 100% of the equity interest in Target Company to Joint Venture Company;
- (2) key members of the existing management of Target Company continuing to be employed at Completion Date and, in particular, Mr. Lun Sheung Nim to enter into a two years services contract with Target Company on terms acceptable to KEEN CAPITAL and BAIYE; and
- (3) no material adverse change having occurred to the business, assets, financial position and performance of Target Company.

## **Completion**

Completion shall take place at the offices of Target Company in Hong Kong on the Completion Date in accordance with the terms of the Agreement.

## **CAPITAL CONTRIBUTION**

The Capital Contribution for the formation of Joint Venture Company is HK\$30,004,200, payable by KEEN CAPITAL in the following manner:

- (1) an earnest deposit in the amount of HK\$6,000,000 shall be paid to Target Company within three Business Days after the date of the Agreement;
- (2) HK\$4,200 shall be paid for subscription of 42 JV Shares upon formation of Joint Venture Company; and
- (3) the balance of Capital Contribution (being HK\$24,000,000) shall be paid to Target Company upon Completion.

The Capital Contribution will be funded by the internal resources of the Group and the Proceeds.

The Capital Contribution was arrived at after arm's length negotiations between the Company and GEO HOLDINGS after taking into account (i) the licensed status of Target Company to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; (ii) the historical operating and performance of Target Company; (iii) the proposed use of proceeds of the Subscription by Target Company and (iv) the growth potential of the business of Target Company upon Completion.

## INFORMATION OF BAIYE AND GEO HOLDINGS

The principal activity of BAIYE is investment holdings. BAIYE is wholly owned by China Investment and Finance Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of Hong Kong Stock Exchange.

The principal activity of GEO HOLDINGS is investment holdings. GEO HOLDINGS is wholly owned by Ms. Li Chui Ling.

## INFORMATION OF TARGET COMPANY

Target Company is a limited liability company established in Hong Kong. The existing shareholder of Target Company is GEO HOLDINGS. Target Company has the licenses to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO and is currently acting as an introducing agent. Target Company is managed by Mr. Lun Sheung Nim (“Mr. Lun”), who is the honorary president of Hong Kong Institute of Financial Analysts and Professional Commentators Limited.

Financial information of Target Company is as follows:

	<b>For the year ended 31 March 2016 HK\$’000 (audited)</b>	For the year ended 31 March 2015 HK\$’000 (audited)
Revenue	<b>10,506</b>	5,465
Net loss before and after taxation	<b>562</b>	554

As at 31 March 2016 and 2015, Target Company had net assets of approximately HK\$5,436,000 and HK\$4,898,000 respectively.

## REASONS FOR FORMATION OF JOINT VENTURE COMPANY

The Company, through its subsidiaries, is engaged in the manufacture and sale of non-woven fabric products used in automotive interior decoration parts and other parts, and the trading of rubber. The Company also deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends.

The investment in Joint Venture Company will be classified as an “interests in associates” and accounted for using the equity method of accounting in the consolidated financial statements of the Group. The Company will indirectly hold 42% of the equity interest in Target Company upon Completion.

In order to diversify its business for maximizing returns to the Shareholders, the Company has been actively seeking various investment opportunities. Target Company is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. The responsible officer of Target Company is Mr. Lun, who has all-rounded experiences in securities advisory, corporate finance and fund management.

In addition, the recent Shanghai – Hong Kong Stock Connect Scheme is expected to increase the trading volume of the stock transactions in Hong Kong and thus the revenue of securities industry in Hong Kong. Although the termination of Subscription Agreement, the Board still intended to implement the investment plan as referred in the Subscription Announcements.

In view of the Capital Contribution will be applied for expansion of business of the Target Company, going forward, the Company is expected to be benefited from diversifying a new profit stream which enhance the long-term growth potential of the Company.

The Board is of the view that the formation of Joint Venture Company will provide a prime opportunity for the Group to tap into the business of financial services, being a new business opportunity to the Group. The Board considers that the formation of Joint Venture Company has been made on normal commercial terms and that such terms are fair and reasonable and that the formation of Joint Venture Company is in the interest of the Company and the Shareholder as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the formation of Joint Venture Company is 5% or more and all the applicable percentage ratios are less than 25%, the formation of Joint Venture Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

**As the Agreement may or may not be completed, the Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

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

“Agreement”	the agreement dated 14 October 2016 between KEEN CAPITAL, BAIYE, GEO HOLDINGS and Target Company in relation to the formation of Joint Venture Company and investing in Target Company
“BAIYE”	Baiye Holdings Limited, a company incorporated in British Virgin Islands with limited liability
“Board”	the board of Directors

“Capital Contribution”	the aggregate cash contribution of HK\$30,004,200 by KEEN CAPITAL for the formation of Joint Venture Company pursuant to the Agreement
“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”	the date on which the completion takes place which is expected to be on or before 31 December 2016 (or such other date as the parties hereto may agree in writing)
“Directors”	the directors of the Company
“GEO HOLDINGS”	GEO Holdings Limited, a company incorporated in British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Joint Venture Company”	a joint venture company to be established in the British Virgin Islands with limited liability pursuant to the Agreement
“JV Shares”	the ordinary shares of Joint Venture Company to be allot and issue pursuant to the Agreement
“JV Subscription Money”	the aggregate subscription monies of HK\$50,000,000 in respect of subscription of JV Shares by KEEN CAPITAL and BAIYE upon Completion
“KEEN CAPITAL”	Keen Capital International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 95,349,000 new shares of Target Company by Joint Venture Company pursuant to the Agreement
“Target Company”	GEO Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO and a wholly-owned subsidiary of GEO HOLDINGS
“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, 14 October 2016

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