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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)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of Directors (the “Board”) of China Automotive Interior Decoration Holdings Limited (the “Company”) is pleased to announce the following consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for the preceding financial year ended 31 December 2022.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	5	<b>113,673</b>	184,036
Cost of sales		<b>(82,878)</b>	(164,550)
Gross profit		<b>30,795</b>	19,486
Other net gain/(losses)	6	<b>5,011</b>	(19,132)
Selling and distribution costs		<b>(3,837)</b>	(7,656)
Share of result of associates		<b>(2,837)</b>	297
Net allowance for expected credit losses		<b>27,540</b>	(27,228)
Administrative expenses		<b>(20,745)</b>	(42,167)
<b>Profit/(loss) from operations</b>	7	<b>35,927</b>	(76,400)
Finance costs	8	<b>(1,580)</b>	(2,070)
<b>Profit/(loss) before tax</b>		<b>34,347</b>	(78,470)
Income tax expense	9	<b>(4,316)</b>	(88)
<b>Profit/(loss) for the year attributable to the owners of the Company</b>		<b>30,031</b>	(78,558)

	<i>Note</i>	<b>2023</b> <b><i>RMB'000</i></b>	2022 <i>RMB'000</i>
<b>Profit/(loss) for the year</b>		<b>30,031</b>	(78,558)
<b>Other comprehensive income/(expense) for the year, net of income tax:</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Exchange differences on translation from functional currency to presentation currency		<b>1,985</b>	5,771
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		<b>(1,552)</b>	(1,105)
Reclassification adjustment for the cumulative exchange reserve included in profit or loss upon the Deconsolidation		<b>62</b>	–
<b>Total other comprehensive income for the year</b>		<b>495</b>	4,666
<b>Total comprehensive income/(expense) for the year attributable to the owners of the Company</b>		<b>30,526</b>	(73,892)
		<b><i>RMB</i></b>	<b><i>RMB</i></b>
<b>Earnings/(loss) per share</b>			
Basic and diluted	<i>10</i>	<b>17.15 cents</b>	(45.56) cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		19,010	24,052
Investment property		3,777	4,133
Right-of-use assets		6,323	8,978
Interests in associates		5,874	10,801
Deferred tax assets		–	3,826
Prepayments for acquisition of property, plant and equipment		58,155	–
		<u>93,139</u>	<u>51,790</u>
<b>Current assets</b>			
Inventories		21,447	23,158
Trade and bill receivables	12	73,310	144,569
Prepayments, deposits and other receivables		24,127	43,057
Financial assets at fair value through profit or loss		27,368	19,319
Cash and bank balances		26,043	25,324
		<u>172,295</u>	<u>255,427</u>
<b>Total assets</b>		<u><u>265,434</u></u>	<u><u>307,217</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital	14	3,643	3,643
Reserves		148,549	118,023
<b>Total equity</b>		<u><u>152,192</u></u>	<u><u>121,666</u></u>

	<i>Note</i>	<b>2023</b> <b><i>RMB'000</i></b>	2022 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Lease liabilities		<u>2,552</u>	<u>4,608</u>
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>30,447</b>	50,596
Accruals and other payables		<b>12,580</b>	18,120
Contract liabilities		<b>3,133</b>	46,537
Bank borrowings		<b>25,000</b>	25,000
Lease liabilities		<b>2,020</b>	2,754
Tax payable		<b>37,510</b>	37,936
		<u>110,690</u>	<u>180,943</u>
<b>Total liabilities</b>		<u><b>113,242</b></u>	<u>185,551</u>
<b>Total equity and liabilities</b>		<u><b>265,434</b></u>	<u>307,217</u>
<b>Net current assets</b>		<u><b>61,605</b></u>	<u>74,484</u>
<b>Total assets less current liabilities</b>		<u><b>154,744</b></u>	<u>126,274</u>
<b>Net assets</b>		<u><b>152,192</b></u>	<u>121,666</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. GENERAL INFORMATION

China Automotive Interior Decoration Holdings Limited (the “Company”) was a public limited company incorporated in Cayman Islands on 9 December 2009 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts and trading of rubber.

The Company’s functional currency is Hong Kong dollars (“HKD”). However, the consolidated financial statements are presented in Renminbi (“RMB”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group’s transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated of financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### 2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except for described below, the application of other new and amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### ***Impacts on the application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

## 2.2 Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

#### 4. SEGMENT INFORMATION

Information reported to the Directors being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered.

The Group’s operating and reportable segments are as follows:

- (i) the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts; and
- (ii) the supply and procurement operation segment including trading of rubber and food products.

##### Segment revenue and results

	Supply and procurement operation		Manufacture and sale of nonwoven fabric related products		Total	
	2023	2022	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment revenue:</b>						
Sales to external customers	–	13,184	<b>113,673</b>	170,852	<b>113,673</b>	184,036
Segment results	<b>(6,467)</b>	(3,785)	<b>9,597</b>	(42,949)	<b>3,130</b>	(46,734)
Unallocated corporate income					<b>39,021</b>	1,792
Unallocated corporate expenses					<b>(6,224)</b>	(31,458)
Profit/(loss) from operations					<b>35,927</b>	(76,400)
Finance costs					<b>(1,580)</b>	(2,070)
Profit/(loss) before tax					<b>34,347</b>	(78,470)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2023 and 2022.

Segment results represent the profit/(loss) from each segment without allocation of interest income, fair value gain/(loss) on financial assets at FVTPL, (reversal of allowance)/allowance for expected credit losses recognised on trade and other receivables, share of results of associates and central operating expenses including staff costs, finance costs and income tax expense. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

### Other segment information

The following is the analysis of the Group's other segment information:

	Supply and procurement operation		Manufacture and sale of nonwoven fabric related products		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets</b>						
Capital expenditure	–	–	1,128	900	1,128	900
Depreciation of property, plant and equipment	–	–	1,469	3,404	1,469	3,404
Depreciation on right-of-use assets	–	231	2,419	2,707	2,419	2,938
(Reversal of allowance)/allowance for expected credit losses recognised on trade receivables, net	6,037	1,641	(32,483)	28,257	(26,446)	29,898
Reversal of allowance for expected credit losses recognised on other receivables, net	–	–	(1,094)	(2,670)	(1,094)	(2,670)
Loss on disposal of property, plant and equipment	–	–	4,697	9,986	4,697	9,986
Loss on deconsolidation of subsidiaries	6,470	–	–	–	6,470	–

### Revenue from major products and services

Information about the Group's major products is set out in note 5.

## 5. REVENUE

The Group's revenue represents sales of nonwoven fabric related products used in automotive interior decoration parts and other parts, rubber and food products.

An analysis of revenue by types of goods as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Nonwoven fabric related products for use in automotive interior decoration:</b>		
– Sales of automotive floor carpets	88,766	136,083
– Sales of other automotive parts	24,907	34,769
<b>Supply and procurement operation:</b>		
– Sales of rubber	–	5,599
– Sales of food products	–	7,585
	<hr/>	<hr/>
Total revenue recognised at a point in time	<b>113,673</b>	184,036
	<hr/> <hr/>	<hr/> <hr/>

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6. OTHER NET GAIN/(LOSSES)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	67	50
Fair value gain/(loss) on financial assets at FVTPL	6,349	(20,354)
Realised gain/(loss) on disposal of financial asset at fair value through profit or loss	568	(570)
Rental income	4,444	1,701
Loss on deconsolidation of subsidiaries	(6,470)	–
Others	53	41
	<hr/>	<hr/>
	<b>5,011</b>	(19,132)
	<hr/> <hr/>	<hr/> <hr/>

## 7. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is stated after charging the following:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Auditors' remuneration	452	429
Depreciation of property, plant and equipment	1,469	3,404
Depreciation of right-of-use assets	2,419	2,938
Depreciation of investment property	356	152
Expenses relating to short-term leases	137	290
Staff costs including directors' remuneration:		
– Salaries and allowances	9,282	13,250
– Share-based payment expenses	–	3,008
– Retirement benefits scheme contributions	1,281	1,665
Cost of inventories recognised as cost of sales	82,878	164,550
Loss on disposal of property, plant and equipment	4,697	9,986
Provision for impairment on interests in associates	2,358	4,396
Research and development expenditure	–	113
	<u>                    </u>	<u>                    </u>

## 8. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on bank borrowings wholly repayable within five years	1,293	1,500
Interest expenses on lease liabilities	287	570
	<u>                    </u>	<u>                    </u>
	<u>1,580</u>	<u>2,070</u>

## 9. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Current tax</b>		
Hong Kong	–	–
PRC enterprise income tax (“EIT”)	490	10
	<u>490</u>	<u>10</u>
<b>Deferred tax</b>		
Charged to profit or loss	3,826	78
	<u>4,316</u>	<u>88</u>

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

Under the two-tiered profits tax rates regime of Hong Kong Profit tax, the first HK\$2 million of assessable profits of qualifying group entities will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%). Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK\$2 million.

No provision for taxation in Hong Kong is recognised as there is no assessable profit for the year ended 31 December 2023 (2022: Nil).

PRC EIT is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiary of the Group with certain tax preference, based on existing legislation, interpretation and practice in respect thereof.

Pursuant to EIT rules and regulations of the PRC, the applicable PRC EIT rate of the Group’s PRC subsidiaries for the years ended 31 December 2023 and 2022 is 25%.

## **10. EARNINGS/(LOSS) PER SHARE**

### **Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share amount is based on the profit for the year attributable to owners of the Company of approximately RMB30,031,000 (2022: loss for the year attributable to owner of the Company approximately RMB78,558,000) and the weighted average number of ordinary shares of 175,115,104 (2022: 172,431,268) in issue during the year.

### **Diluted earnings/(loss) per share**

For the year ended 31 December 2023, diluted earnings per share is the same as the basic loss per share because the exercise price of the Company's outstanding share options was higher than the average market price for shares.

For the year ended 31 December 2022, diluted loss per share is the same as the basic loss per share because the effects of the Company's outstanding share options were anti-dilutive.

## **11. DIVIDEND**

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2023 (2022: nil).

## 12. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	83,270	185,015
Less: allowance for expected credit losses	<u>(13,116)</u>	<u>(43,919)</u>
	<u>70,154</u>	<u>141,096</u>
Bill receivables	<u>3,156</u>	<u>3,473</u>
	<u><u>73,310</u></u>	<u><u>144,569</u></u>

The ageing analysis of trade receivables, based on the invoice date, net of allowance for expected credit losses, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 90 days	55,633	57,808
91 to 180 days	5,230	79,598
181 to 365 days	9,291	3,690
Over 365 days	<u>–</u>	<u>–</u>
	<u><u>70,154</u></u>	<u><u>141,096</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 days to 120 days, depending on the creditworthiness of customers and the existing relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

## 13. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice dates, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 90 days	14,791	24,486
91 to 180 days	3,744	7,769
181 to 365 days	423	1,412
Over 365 days	<u>11,489</u>	<u>16,929</u>
	<u><u>30,447</u></u>	<u><u>50,596</u></u>

Trade payables generally have credit terms ranging from 10 days to 60 days.

## 14. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Amount RMB'000
<b>Authorised:</b>			
<b>Ordinary shares of HK\$0.025 each</b>			
<b>At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023</b>	<b>40,000,000,000</b>	<b>1,000,000</b>	<b>863,495</b>
<b>Issued and fully paid:</b>			
At 1 January 2022	167,215,104	4,180	3,476
Exercise of share options	7,900,000	198	167
At 31 December 2022, 1 January 2023 and 31 December 2023	<b>175,115,104</b>	<b>4,378</b>	<b>3,643</b>

## 15. DECONSOLIDATION OF SUBSIDIARIES

The Group acquired Loyal Brands International Limited and its subsidiaries, including Grand York Limited, Giant Faith Holdings Limited, 深圳文嘉勝商貿有限公司 and 深圳隆信堂食品有限公司 (“Loyal Brands Group”), in May 2017. Loyal Brands Group principally engaged in trading of food products.

In or around November 2023, the board of directors of the Company (the “Board”) was informed by Mr. Wong Ho Yin, the former director of the Company who resigned as the executive director of the Company on 18 October 2023, that the business and accounting records of Loyal Brands Group, including but not limited to sales invoice, purchase invoice, accounting ledger and vouchers, were unable to be located. The Board has also tried to contact the person-in-charge of Loyal Brands Group (the “Responsible Staff”) through Mr. Wong Ho Yin, but he was unable to (i) contact the Responsible Staff and (ii) obtain the books and records of Loyal Brands Group.

On 27 December 2023, Mr. Ng Chung Ho was appointed as an executive director of the Company. Mr. Ng Chung Ho had thoroughly searched all the files and documents kept in the office in Hong Kong and was unable to locate any business and accounting records of Loyal Brands Group. Mr. Ng Chung Ho also tried to contact the Responsible Staff but was unable to obtain a positive response and cooperation. Mr. Ng Chung Ho further contacted the director of Loyal Brands Group but the director of Loyal Brands Group replied that he did not have any accounting books and records of Loyal Brands Group.

As the business of trading of food products which operated by Loyal Brands Group was not significant to the Group and no relevant personnel within the Group is able to resume the business, the Board has decided to dispose of Loyal Brands Group to reduce the financial and compliance risk of the Group. On 14 March 2024, the Group disposed of Loyal Brands Group with the cash consideration of HK\$1 million to an independent third party.

In light of the above circumstances, the Group considered it had lost control over Loyal Brands Group and had excluded the consolidated financial position of Loyal Brands Group as at and after and the results and cash flows of Loyal Brands Group since 1 January 2023 from the consolidated financial statements of the Group for the year ended 31 December 2023 (the “Deconsolidation”).

Regarding to the Deconsolidation, the Group will perform the investigation and may take legal action against the wrongdoer(s), if any, for the loss suffered by the incident.

The following set out the financial impact on the Deconsolidation of Loyal Brands Group:

	<i>RMB'000</i>
Right-of-use assets	237
Trade and bill receivables	7,824
Prepayments, deposits and other receivables	165
Cash and bank balances	61
Trade payables	(174)
Accruals and other payables	(7,701)
Contract liabilities	(798)
Lease liabilities	(243)
Tax payable	(586)
	<hr/>
Net liabilities of Loyal Brands Group	(1,215)
Cumulative exchange reserve	62
Amount due from Loyal Brands Group to the Group ( <i>Note</i> )	7,623
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Loss on Deconsolidation	<u>6,470</u>

*Note:* As at 31 December 2023, the Group has an amount due from Loyal Brands Group, net of approximately RMB7,623,000. Due to the loss of control over Loyal Brands Group, an impairment loss of RMB7,623,000 had been provided for as loss on Deconsolidation of subsidiaries in the consolidated financial statements for the year ended 31 December 2023.

## **EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT**

The following is the extract of the independent auditor’s report from the Company’s auditor on the Group’s consolidated financial statements for the year ended 31 December 2023:

“We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Deconsolidation of subsidiaries**

As disclosed in the notes to the consolidated financial statements, the Group acquired Loyal Brands International Limited and its subsidiaries, including Grand York Limited, Giant Faith Holdings Limited, 深圳文嘉勝商貿有限公司 and 深圳隆信堂食品有限公司 (“Loyal Brands Group”), in May 2017. Loyal Brands Group principally engaged in trading of food products.

In or around November 2023, the board of directors of the Company (the “Board”) was informed by Mr. Wong Ho Yin, the former director of the Company who resigned as the executive director of the Company on 18 October 2023, that the business and accounting records of Loyal Brands Group, including but not limited to sales invoice, purchase invoice, accounting ledger and vouchers, were unable to be located. The Board has also tried to contact the person-in-charge of Loyal Brands Group (the “Responsible Staff”) through Mr. Wong Ho Yin, but he was unable to (i) contact the Responsible Staff and (ii) obtain the books and records of Loyal Brands Group.

On 27 December 2023, Mr. Ng Chung Ho was appointed as an executive director of the Company. Mr. Ng Chung Ho had thoroughly searched all the files and documents kept in the office in Hong Kong and was unable to locate any business and accounting records of Loyal Brands Group. Mr. Ng Chung Ho also tried to contact the Responsible Staff but was unable to obtain a positive response and cooperation. Mr. Ng Chung Ho further contacted the director of Loyal Brands Group but the director of Loyal Brands Group replied that he did not have any accounting books and records of Loyal Brands Group.

In light of the above circumstances, the Group considered it had lost control over Loyal Brands Group and had excluded the consolidated financial position of Loyal Brands Group as at and after and the results and cash flows of Loyal Brands Group since 1 January 2023 from the consolidated financial statements of the Group for the year ended 31 December 2023 (the “Deconsolidation”).

Due to the insufficient supporting documents and relevant explanations on (i) the accounting books and records in respect of Loyal Brands Group and its operations (ii) the Deconsolidation, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether (i) the Deconsolidation of Loyal Brands Group on 1 January 2023 and the loss on Deconsolidation of approximately RMB6,470,000; (ii) the income and expenses for the years ended 31 December 2023; (iii) the assets and liabilities as at 31 December 2023; and (iv) the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Any adjustments to the figures described above might have a consequential effect on the Group's consolidated financial performance and consolidated cash flows for the years ended 31 December 2023, the consolidated financial position of the Group as at 31 December 2023 and the related disclosure thereof in the consolidated financial statements.”

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is principally engaged in the manufacture and sale of nonwoven fabric related products used in automotive interior decoration parts and other parts, the trading of rubber and food products. The Group deploys financial resource to securities investment to achieve earnings in the form of capital appreciation and income from dividends. The Group also taps into the business of financial services through the investment in a securities house.

#### **Manufacture and sale of nonwoven fabric related products**

Manufacture and sale of nonwoven fabric related products is one of the principal business of the Group. The Group manufactures its products with single layer or multiple layers of nonwoven fabric in accordance with specific requirements and standards of different customers. Most of the customers of nonwoven fabric related products are primary manufacturers and suppliers of automotive parts in the PRC. The majority of the Group’s products are further processed by these customers in order to make different automotive parts such as floor, head lining, seat cover, parcel tray, trunk, luggage-side trim, hubcap and car-mat, which are of different characteristics and are to be applied for different usages in passenger vehicles.

According to the statistics released from China Association of Automobile Manufacturers (“CAAM”), the production and sales of passenger vehicles in the PRC were approximately 21,923,000 units and 26,063,000 units respectively for the year ended 31 December 2023, representing an increase of approximately 4.2% and 10.6%. These favorable growth in passenger vehicles market resulted in a stable demand for automotive materials of the Group during 2023.

In 2021, the Group set up new production lines in Jilin Province, the PRC for the supply of the automotive components (the “Automotive Components”) to a components supplier of an automotive manufacturer under the brand “FAW Toyota”.

In order to secure a stable supply of raw material at favourable price or terms in a timely manner, it was usual course of the business in automotive industry to provide deposits to suppliers. The trade deposits would be subsequent utilized.

Since the relocation of production lines to Cangzhou and Chengdu and the diversification to supply of the Automotive Components in Jilin during the 2022, the Group paid approximately RMB58.1 to the suppliers of plant and equipment as prepayments for upgrading the existing production lines (such as modifying and replacing accessories of the production facilities and equipment) for perfection of production, acquiring new production facilities and equipment. The Group expects the plant and equipment would be installed and the amounts of prepayment would be utilized in 2024.

#### **Supply and procurement operation**

The Group commenced its business of rubber trading since 2012 and the quoted price of rubber was generally varied according to the tendency of the commodities markets. To manage the risk, the Group mainly carried out that business in back-to-back model. As the significant fluctuation in price of top commodities, crude oil, the Group only accepted the orders with lower default risk.

After COVID-19 pandemic, the Group adopted strategies to exit the business which is loss-making and with unpromising prospect. The Group diversified into the business of trading of food products since 2016. The business of trading of food products incurred losses for years and did not generated any income in 2023. Its revenue in 2022 and 2021 just accounted for 4.12% and 5.75% of the Group's revenue respectively and became side business of the Group. In view of the loss-making record and no relevant personnel within the Group is able to manage this business, the Group disposed the business to reduce the risk of the Group during the first quarter of 2024.

### Interests in associates

The Company through a joint venture company indirectly hold 42% of the equity interest in GEO Securities Limited ("GEO Securities") and classified as "interests in associates" at 31 December 2023. GEO Securities has the licenses to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (Asset Management) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong. The Group shared a loss of associates of approximately RMB2.8 million for the year ended 31 December 2023.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the years ended 31 December 2023 and 2022 was illustrated as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Nonwoven fabric related products for use in automobiles		
– Sales of automotive floor carpets	<b>88,766</b>	136,083
– Sales of other automotive parts	<b>24,907</b>	34,769
Sales of rubber	–	5,599
Sales of food products	–	7,585
	<b>113,673</b>	184,036

For the year ended 31 December 2023, the Group's revenue decrease to approximately RMB113.7 million, compared to approximately RMB184.0 million in 2022, representing a decrease of approximately 38.2%. The decrease in the Group's revenue was mainly attributable to the decrease in revenue of sale of automotive floor carpets.

### Gross profit

As a result of improvement of production efficiency after the relocation of production lines, for the year ended 31 December 2023, the Group's gross profit increase by approximately RMB11.3 million to approximately RMB30.8 million.

### **Other net gain/(losses)**

For the year ended 31 December 2023, the Group's other net gain or losses changed from a loss of approximately RMB19.1 million in 2022 to a gain of approximately RMB5.0 million in 2023. It was mainly due to fair value gain on financial assets at fair value through profit or loss ("FVTPL") of approximately RMB6.3 million in 2023, as compared to a fair value loss on FVTPL of approximately RMB20.3 million in 2022. The fair value gain on financial assets at FVTPL mainly comprised of the fair value gain on investment in listed equity securities of China Investment and Finance Group Limited (approximately RMB4.8 million). Further information of the financial assets at FVTPL are disclosed in the "Significant Investments" section below.

The other net gain or losses also composed of a loss on deconsolidation of subsidiaries of approximately RMB6.5 million. Detail information of the loss on deconsolidation of subsidiaries are disclosed in the "Basis for Disclaimer of Opinion" section.

### **Administrative expenses**

The Group's administrative expenses decreased by approximately RMB21.5 million to approximately RMB20.7 million for the year ended 31 December 2023, which mainly due to one-off compensation to the staff of approximately RMB8.1 million and loss on disposal of property, plant and equipment of approximately RMB10.0 million in connection with the relocation of production lines from Wuxi to Cangzhou and Chengdu in 2022. The Group's administrative expenses mainly consist of employee benefits expenses including Director's emoluments and staff costs of approximately RMB10.6 million (2022: RMB14.9 million) and depreciation of right-of-use assets of approximately RMB2.4 million (2022: RMB2.9 million).

### **Profit/(loss) attributable to the owners of the Company**

The profit attributable to the owners of the Company was approximately RMB30.0 million for the year of 2023 compared with a loss of approximately RMB78.6 million for the corresponding period of 2022. The turnaround are primarily attributable to fair value gain on financial assets at fair value through profit or loss, and reversal of net allowance for expected credit losses of approximately RMB27.5 million during the year ended 31 December 2023.

## **PROSPECT AND OUTLOOK**

The Board expects that 2024 will be a challenging year for the business of manufacturing and sale of nonwoven fabric related products as the continuously increase in production costs for maintaining competitiveness and enhancing safety requirements to cope with the development of the automotive industry.

To maintain competitiveness, the Group will still deploy its resources on:

- (1) upgrading the production lines in order to improve the production efficiency;
- (2) installing new machineries to suit the customers' varying requirements and demands on high-end products;

- (3) conducting research and development to keep up with the latest technological trends in relation to product specifications; and
- (4) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric related products industry in the PRC.

As a result of the increasing risk of volatility in rubber price since the fluctuation in price of crude oil, the Group would be cautious in accepting orders to avoid any downside exposure.

In addition, the Group will continue to adopt a prudent approach to manage its money lending business and on the other hands to seek for opportunities to expand this operation.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will look for potential investment opportunities to diversify its business scope.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally financed its operations by internal cash resources and bank financing during 2023. At 31 December 2023, cash and bank balances of the Group amounted to approximately RMB26.0 million (2022: RMB25.3 million), and approximately RMB10.3 million (2022: RMB12.9 million) of which are denominated in Hong Kong dollars and United States dollars.

At 31 December 2023, the Group's liquidity ratio, represented by the ratio of current assets over current liabilities, and gearing ratio, represented by the ratio of total liabilities to total assets, were 1.56 (2022: 1.41) and 0.43 (2022: 0.60) respectively.

## **CAPITAL STRUCTURE**

There has been no material change in the capital structure of the Group during the year.

## **FOREIGN EXCHANGE EXPOSURE**

Majority of the assets and liabilities of the Group were denominated in Renminbi, United States dollars and Hong Kong dollars. At 31 December 2023, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## SIGNIFICANT INVESTMENTS

At 31 December 2023, the Group held (i) approximately 8.0 million shares (approximately 1.9%) of China Investment and Finance Group Limited (“CI”), (ii) approximately 22.8 million shares (approximately 2.6%) of Wealth Glory Holdings Limited (“WG”), (iii) approximately 11.0 million shares (approximately 4.8%) of Lerado Financial Group Company Limited (“LF”), and (iv) approximately 4.5 million shares (approximately 1.8%) of Tai Kam Holdings Limited (“TK”). CI, WG, LF and TK were the companies listed on the Hong Kong Stock Exchange. CI is principally engaged in investment holding and trading of securities. WG is principally engaged in trading of natural resources and commodities; money lending business; development and promotion of brands, design, manufacture and sale of trendy fashion merchandises and other consumer products; and investment in securities. LF is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products. TK is principally engaged in undertaking site formation works and renovation works in Hong Kong.

The Group’s investment in CI, WG, LF and TK were collectively referred to as the “Significant Investments”.

Detail of the Significant Investments are as follows:

	<b>Year ended 31 December 2023</b>	<b>At 31 December 2023</b>		<b>At 31 December 2022</b>
	<b>Fair Value gain/(loss) RMB’000 (Audited)</b>	<b>Fair Value RMB’000 (Audited)</b>	<b>Approximate percentage to the total assets (Audited)</b>	<b>Fair Value RMB’000 (Audited)</b>
CI	<b>4,826</b>	<b>7,762</b>	<b>2.9%</b>	–
WG	<b>(351)</b>	<b>3,109</b>	<b>1.2%</b>	3,370
LF	<b>796</b>	<b>2,700</b>	<b>1.0%</b>	2,850
TK	<b>1,063</b>	<b>2,011</b>	<b>0.8%</b>	–

At 31 December 2023, the financial assets at FVTPL comprised 17 listed equity securities in Hong Kong and except the above, there was no investment held by the Group which value was more than 1% of the total assets of the Group.

Looking ahead, the value of the Significant Investments may be susceptible to the overall equity market conditions.

## MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2023.

## **PLEDGE ON ASSETS**

At 31 December 2023, the Group's investment property with a carrying amounts of approximately RMB3.8 million (2022: RMB4.1 million) and leasehold land with a carrying amounts of approximately RMB2.2 million (2022: RMB2.3 million) were pledged to banks for bank borrowings.

## **DIRECTORS' SERVICE CONTRACTS**

None of the Directors, including those proposed for re-election at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **DIRECTOR'S INTEREST IN COMPETING INTERESTS**

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the year.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("Code") in Appendix C1 to the Listing Rules.

Except for the deviation from Code provision C.2.1, the Company complied with the Code for the year ended 31 December 2023.

Code provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhuang Yuejin is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision C.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) on 13 September 2010 with written terms of reference in compliance with the Listing Rules. At 31 December 2023, the Audit Committee comprises three independent non-executive Directors, namely Mr. Mak Wai Ho (chairman of the audit committee), Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the year ended 31 December 2023 and up to the date of this announcement.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR**

The figures above in the preliminary announcement of the Group’s result for the year ended 31 December 2023 have been agreed with the Company’s auditor, Elite Partners CPA Limited (“Elite Partners”), to the amounts set out in the Group’s consolidated financial statements for the year.

The work performed by Elite Partners did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the preliminary announcement.

## **PUBLICATION OF 2023 ANNUAL RESULTS AND 2023 ANNUAL REPORT**

The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2023 and also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters. Other members of the Board who are not in the Audit Committee have also reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2023 and are satisfied with the contents thereof.

The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2024

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