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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)**

## **FULFILMENT OF RESUMPTION GUIDANCE RESUMPTION OF TRADING**

References are made to the announcements of China Automotive Interior Decoration Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) dated 31 March 2024, 2 April 2024, 3 June 2024, 26 June 2024, 2 July 2024 and 30 September 2024, in relation to, among others, (i) the Company’s auditor’s disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2023; (ii) the suspension of trading in the shares of the Company; (iii) the non-compliance of Rules 3.10, 3.21, 3.25 and 3.27A of the Rules Governing the Listing of Securities (the “Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”); (iv) the Resumption Guidance for the Company; and (v) the quarterly update on resumption progress (collectively, the “Announcements”). Unless otherwise defined, terms used in this announcement shall have the same meaning as those defined in the Announcements.

### **BACKGROUND OF SUSPENSION OF TRADING AND NON-COMPLIANCE OF THE RULES**

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 (“LBG”), in May 2017. LBG is principally engaged in trading of food products.

In or around November 2023, the board of directors of the Company (the “Board”) was aware that the business and accounting records of LBG, 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 LBG (the “Responsible Staff”) through the former director of the Company but he was unable to (i) contact the Responsible Staff and (ii) obtain the books and records of LBG. On 27 December 2023, Mr. Ng Chung Ho was appointed as an executive director of the Company. Mr. Ng 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 LBG. Mr. Ng also tried to contact the Responsible Staff but was unable to obtain positive response and cooperation. Mr. Ng further contacted the director of LBG but the director of LBG replied that he did not have any accounting books and records of LBG. In light of the above circumstances and the business of trading of food products which operated by LBG was not significant to the Group, and no relevant personnel within the Group was able to resume the business, the Company considered it had lost

control over LBG. The Company then informed the Company's auditors at the relevant time, Elite Partners CPA Limited (the "Former Auditors"), regarding the loss of control over LBG and unable to provide sufficient appropriate audit evidence to them.

The Company had excluded the consolidated financial position of LBG as at and after and the results and cash flows of LBG since 1 January 2023 from the consolidated financial statements of the Group for the year ended 31 December 2023 (the "Deconsolidation").

On 31 March 2024, the Company published the 2023 Annual Results. Due to the insufficient supporting documents and relevant explanations on (i) the accounting books and records in respect of LBG and its operations and (ii) the Deconsolidation, the Former Auditors were unable to obtain sufficient appropriate audit evidence to ascertain whether the deconsolidation of LBG had been accurately recorded and properly accounted for in the Company's consolidated financial statements and therefore expressed a disclaimer of opinion on the Company's financial statements for the year ended 31 December 2023 (the "Disclaimer of Opinion").

As a result, trading in the Company's shares has been suspended since 2 April 2024 pursuant to Rule 13.50A of the Rules.

In addition, as the business of trading of food products which operated by LBG was not significant to the Group and no relevant personnel within the Group was able to resume the business, the Board decided to dispose LBG to reduce the financial and compliance risk of the Group. On 14 March 2024, the Group disposed LBG with a cash consideration of HK\$1 million to an independent third party (the "Disposal").

On 3 June 2024, Mr. Mak Wai Ho ("Mr. Mak") retired as an independent non-executive director of the Company. He also ceased to be (a) the chairman of the audit committee, (b) the chairman of the remuneration committee, and (c) a member of the nomination committee of the Company. Following Mr. Mak's retirement, the number of independent non-executive directors and members of the audit committee is less than three, while each of the remuneration committee and the nomination committee does not comprise a majority of independent non-executive directors. As a result, the Company is not in compliance with Rules 3.10, 3.21, 3.25 and 3.27A of the Rules.

## **ACTIONS TO ADDRESS THE DISCLAIMER OF OPINION**

Based on the communication with the Former Auditors in April 2024, the Board (including the audit committee) and the Former Auditors concurred that if the Company could provide sufficient appropriate audit evidence (the "Requested Documents") to the auditors to support the Disposal for the year ending 31 December 2024, the issues giving rise to the Disclaimer of Opinion would be resolved accordingly.

Although the Disposal was completed in March 2024, the Requested Documents were made available to the Former Auditors in middle of June 2024. In particular, the registered agent of LBG in British Virgin Islands took around two months to go through its due diligence process before updating the respective register of members and directors of LBG and issuing the certificates of incumbency of LBG after Disposal.

On 25 June 2024, the Company received a letter from the Stock Exchange referring to Disclaimer of Opinion and the letter set out the Resumption Guidance.

On 2 September 2024, the Former Auditors resigned as the Company's auditors with effect from 2 September 2024 after considering factors including its available internal resources. Following its resignation, Infinity CPA Limited ("INFINITY") was appointed as the Company's auditors by the Board on the same day.

On 6 September 2024, the Company's new auditors, INFINITY, have issued a comfort letter to the Company confirming that expect for the audit modifications on (i) the opening balances in relation to the Disclaimer of Opinion to be stated in the consolidated financial statements of the Group for the year ending 31 December 2024; and (ii) the comparative figures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2024, there would not be other audit modifications in respect of the matters. In preparing the comfort letter, other than reviewing the Requested Documents, INFINITY have communicated with the Company's management and reviewed the historical financial information of LBG to determine that (i) the Disposal has been properly recorded and that the transfer of ownership has been completed in 2024 and (ii) LBG can be considered not significant subsidiaries of the Group in 2021 and 2022; therefore, the results of LBG would not have a pervasive impact on the consolidated financial statements.

The Company are of the opinion that, after taking into account that (a) the Disclaimer of Opinion was based on loss of control of LBG and was a non-recurrent event; (b) the financial impact of the loss of control of LBG was reflected in the 2023 Annual Results; and (c) LBG ceased to be subsidiaries of the Company and the Company ceased to have any interests in LBG after its disposal on 14 March 2024 and there will not be any adverse change of the consolidated financial statements of the Group in the next financial year and the subsequent years, the issues giving rise to the Disclaimer of Opinion had been addressed and was resolved.

## **FULFILMENT OF THE RESUMPTION GUIDANCE**

The Board considers that the Company has fulfilled all requirements prescribed under the Resumption Guidance with details as follows:

- (i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 13.50A of the Rules**

The Company are of the opinion that, after taking into account that (a) the Disclaimer of Opinion was based on loss of control of LBG and was a non-recurrent event; (b) the financial impact of the loss of control of LBG was reflected in the 2023 Annual Results; and (c) LBG ceased to be subsidiaries of the Company and the Company ceased to have any interests in LBG after its disposal on 14 March 2024 and there will not be any adverse change of the consolidated financial statements of the Group in the next financial year and the subsequent years, the issues giving rise to the Disclaimer of Opinion had been addressed and was resolved.

INFINITY have issued a comfort letter to the Company confirming that expect for the audit modifications on (i) the opening balances in relation to the Disclaimer of Opinion to be stated in the consolidated financial statements of the Group for the year ending 31 December 2024; and (ii) the comparative figures to be stated in the consolidated financial

statements of the Group for the year ending 31 December 2024, there would not be other audit modifications in respect of the matters. Accordingly, the Disclaimer of Opinion will not have any continuing effect on the consolidated financial statements of the Group for the year ending 31 December 2025 and the subsequent years.

In addition, the Company has taken the remedial measures to rectify the internal control deficiencies that gave rise to the Disclaimer of Opinion as follows:

Internal control deficiencies	Remedial measures
(a) The internal control policies of the Group have not been reviewed and updated properly. Such policies only cover the Company and the core subsidiaries of the Group in the PRC, which does not include the acquired business.	The Company will review and update its internal control policies at least once a year and provide training to the relevant staff to ensure their knowledge of the change of control procedures. For newly acquired business, the Company will also provide training to relevant staffs to ensure their understanding on the requirement on a listed company.
(b) The Company lost control of LBG and the business and accounting records of LBG were not provided to the auditors.	<p>The Company updated its internal control policies so that it can exercise control over all of its subsidiaries by ensuring that:</p> <ol style="list-style-type: none"> <li data-bbox="719 981 1447 1093">(1) the legal representative of the PRC subsidiaries and a director of each subsidiary shall be the designated member of the Board;</li> <li data-bbox="719 1137 1447 1211">(2) the financial department of the subsidiaries shall directly report to the designated member of the Board;</li> <li data-bbox="719 1256 1447 1368">(3) the Company shall consider any legal action against any of its significant personnel who violate their duties or responsibilities and has led to significant loss of the Group;</li> <li data-bbox="719 1413 1447 1525">(4) representative(s) of the Board regularly visit each of operating subsidiaries to make sure that the necessary accounting records are well maintained; and</li> <li data-bbox="719 1570 1447 1680">(5) emergency procedures shall be established, such as setting up team of legal and financial experts, to prevent and control potential loss of control of subsidiaries.</li> </ol>

## Internal control deficiencies

## Remedial measures

(c) The Company's operating subsidiaries were only reviewed by the head of each subsidiary without reporting to any of the relevant directors of the Company. Except for the interim and annual report, the Board had not received any monthly or regular management accounts from the operating subsidiaries. Only "significant issues" were required to report to the Board monthly. However, there was no guideline to define what constituted "significant issues".

The Company updated its internal control policies, and defined the matters that affecting the continuing operation or legal compliance operation, the general manager or legal representative of the subsidiaries will notify any executive director in writing or by email within 3 days after aware of the relevant matters. The executive directors will consult the financial adviser or legal adviser on whether it is necessary to issue any announcement in accordance with the requirements of the Rules.

The Company updated its internal control policies to ensure monthly management account of each subsidiary is obtained.

### **(ii) re-comply with Rules 3.10, 3.21, 3.25 and 3.27A of the Rules**

As disclosed in the announcement of the Company dated 15 July 2024 in relation to the change of director, the Company has re-complied with Rules 3.10, 3.21, 3.25 and 3.27A of the Rules.

### **(iii) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.**

Since the suspension of trading in the shares of the Company on 2 April 2024, the Company has kept the Shareholders and potential investors of the Company informed of all material information in relation to the issues giving rise to the Disclaimer of Opinion, the Resumption Guidance and any relevant updates and progress, the unaudited interim results for the six months ended 30 June 2024, and the change of auditors of the Company by way of announcements.

## **RESUMPTION OF TRADING**

Under Rules 13.50A of the Rules, in view of the Disclaimer of Opinion, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024 and will remain suspended until the Stock Exchange is satisfied that the Company has fulfilled the requirements prescribed under the Resumption Guidance.

As set out in this announcement, given the Board considers that the Company has fulfilled all requirements prescribed under the Resumption Guidance, an application has been made by the Company to the Stock Exchange for the resumption of trading in the ordinary shares of the Company from 9:00 a.m. on 18 October 2024.

**Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 17 October 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. Yuen Wai Keung, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.*