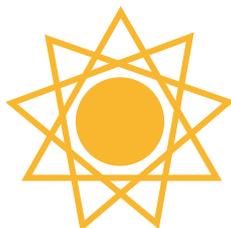


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**China International Development Corporation Limited**  
**中聯發展控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 264)**

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of China International Development Corporation Limited (the “**Company**”) is pleased to present the unaudited annual results of the Company and its subsidiaries (together referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as below. For the reasons as explained in the paragraph headed “Further Announcements” in this announcement, the audit process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Revenue	4	49,192	39,771
Cost of sales		<u>(39,372)</u>	<u>(27,837)</u>
Gross profit		9,820	11,934
Other income		1,338	2,772
Other gains/(losses)	5(b)	722	(6,047)
Selling and distribution costs		(7,575)	(4,358)
Administrative and other operating expenses		(23,302)	(25,155)
Impairment of trade receivables		(25)	(176)
Impairment of other receivables		(43)	(192)
Finance costs		<u>(1,922)</u>	<u>(536)</u>
<b>Loss before tax</b>	5(a)	(20,987)	(21,758)
Income tax expense	6	<u>—</u>	<u>—</u>
<b>Loss for the year attributable to owners of the Company</b>		<u>(20,987)</u>	<u>(21,758)</u>
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising on translation of operations outside Hong Kong		<u>331</u>	<u>977</u>
Other comprehensive income for the year		<u>331</u>	<u>977</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u>(20,656)</u>	<u>(20,781)</u>
<b>Loss per share attributable to owners of the Company</b>			
— Basic and diluted	8	<u>HK(5.5) cents</u>	<u>HK(5.7) cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	5,449	233
Deposits paid		913	1,677
Right-of-use assets	16	9,791	1,853
<b>Total non-current assets</b>		<b>16,153</b>	3,763
<b>Current assets</b>			
Inventories		10,566	11,265
Trade receivables	10	7,090	9,833
Prepayments, deposits and other receivables		5,617	3,540
Due from a related company		—	543
Tax recoverable		291	438
Pledged time deposit		—	430
Cash and cash equivalents		1,469	2,280
<b>Total current assets</b>		<b>25,033</b>	28,329
<b>Current liabilities</b>			
Trade payables	11	4,763	2,746
Other payables and accruals	12	24,847	21,322
Due to a director	13	501	—
Due to ultimate controlling shareholder	13	8,791	263
Due to a related company	13	1,848	—
Loan from a director	14	8,000	8,000
Loans from ultimate controlling shareholder	15	5,207	—
Lease liabilities	16	4,335	5,523
<b>Total current liabilities</b>		<b>58,292</b>	37,854
<b>Net current liabilities</b>		<b>(33,259)</b>	(9,525)

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>Total assets less current liabilities</b>		<u>(17,106)</u>	<u>(5,762)</u>
<b>Non-current liabilities</b>			
Loans from ultimate controlling shareholder	<i>15</i>	<b>4,761</b>	3,262
Lease liabilities	<i>16</i>	<u><b>8,668</b></u>	<u>1,863</u>
<b>Total non-current liabilities</b>		<u><b>13,429</b></u>	<u>5,125</u>
<b>Net liabilities</b>		<u><b>(30,535)</b></u>	<u>(10,887)</u>
<b>Deficiency in assets</b>			
Share capital	<i>17</i>	<b>3,827</b>	3,827
Reserves		<u><b>(34,362)</b></u>	<u>(14,714)</u>
<b>Total deficiency in assets</b>		<u><b>(30,535)</b></u>	<u>(10,887)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL

China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company was located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in (i) manufacturing and distribution of leather products; and (ii) retail of fashion apparel, footwear and leather accessories. During the year ended 31 December 2020, the Group has obtained the relevant permit to plant industrial hemp in Mainland China (the “**PRC**”) and extended its business into the industrial hemp planting and production of hemp fabric products.

The directors (the “**Directors**”) of the Company considered that Waterfront Holding Group Co., Ltd. (“**Waterfront**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, is the holding company of the Company and its ultimate controlling shareholder is Mr. Zhao Jingfei (“**Mr. Zhao**”), an executive Director and Chairman of the Company. The registered office of Waterfront is located at Sertus Chambers, PO Box 905, Quastisky Building, Road Town, Tortola, BVI.

## 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the “**Listing Rules**”) of the Stock Exchange. They have been prepared under the historical cost convention. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the majority number of operating subsidiaries in the Group and all values are rounded to the nearest thousand except when otherwise indicated.

The Group (i) incurred a substantial loss of approximately HK\$20,987,000 during the year and had net current liabilities and deficiency in assets of approximately HK\$33,259,000 and HK\$30,535,000, respectively, as at 31 December 2021; and (ii) the Group had cash and cash equivalents of approximately of HK\$1,469,000 only to meet its financial obligations as at 31 December 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Directors have prepared a cash flow forecast of the Group and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from 31 December 2021 after taking into account of the following measures:

- (i) the Company has obtained a letter of undertaking from Mr. Qin Bohan (“**Mr. Qin**”), an executive Director of the Company, that he would not demand for repayment of the loan with principal amount of HK\$8,000,000 and amount due to him of approximately HK\$501,000 as at 31 December 2021 until the Company is in a position to do so;
- (ii) the Company and Mr. Qin entered into another loan facility agreement on 28 August 2021, pursuant to which, Mr. Qin granted an unsecured interest-free loan facility up to HK\$30,000,000 for a term of two years, none of which has been utilised as at 31 December 2021 and the date of this announcement;
- (iii) the Company and Mr. Zhao entered into a loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao granted an unsecured interest-free loan facility up to HK\$20,000,000 to the Company for a term of two years, none of which has been utilised as at 31 December 2021 and the date of this announcement; and
- (iv) the Company has obtained a letter of financial support from Mr. Zhao confirming that he would not demand for repayment of the amount due to him of approximately HK\$8,791,000 as at 31 December 2021 and the loans with aggregate principal amounts of approximately HK\$10,810,000 as at 31 December 2021 until the Group is in a position to do so. Mr. Zhao has also confirmed his willingness to further provide for adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 24 months from 31 December 2021.

The consolidated financial statements do not include any adjustment that would result from a failure to obtain such funding and undertaking which indicates the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts and to provide for further liabilities which might arise.

## **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following revised HKFRSs for the first time for the consolidated financial statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the 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 the consolidated financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 17	Insurance Contracts and the related Amendments <sup>2,5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2,4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a contract <sup>1</sup>
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16 <sup>1</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2022*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2023*

<sup>3</sup> *No mandatory effective date yet determined but available for adoption*

<sup>4</sup> *As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion*

<sup>5</sup> *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023*

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group. The adoption of the above is not expected to have a material impact on the consolidated financial statements of the Group.

### 3. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of (i) manufacturing and distribution of leather products; and (ii) retail of fashion apparel, footwear and leather accessories. Upon obtaining the relevant permit in June 2020, the Group extended its business into the industrial hemp planting and production of hemp fabric products (the “**Industrial Hemp Planting Business**”). However, the Industrial Hemp Planting Business did not form a separate reportable segment during the years as it was still in a preliminary development stage and had not built its scale and was considered immaterial by the management of the Group.

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group’s segments:

Leather Manufacturing Business — Manufacturing and distribution of leather products

Leather Retail Business — Retail of fashion apparel, footwear and leather accessories

The Chairman of the Group, being an executive Director of the Company and the chief operating decision maker, monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that interest income as well as corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable and unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

(a) **Reportable segments**

	Leather Manufacturing Business		Leather Retail Business		Total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Revenue from external customers	46,016	36,743	3,176	3,028	49,192	39,771
Inter-segment revenue	482	104	—	797	482	901
Reportable segment revenue	<u>46,498</u>	<u>36,847</u>	<u>3,176</u>	<u>3,825</u>	<u>49,674</u>	<u>40,672</u>
Reportable segment loss	<u>(9,468)</u>	<u>(4,828)</u>	<u>(5,787)</u>	<u>(7,286)</u>	<u>(15,255)</u>	<u>(12,114)</u>
Reportable segment assets	35,325	25,260	4,839	4,551	40,164	29,811
Reportable segment liabilities	<u>22,070</u>	<u>9,000</u>	<u>41,347</u>	<u>36,264</u>	<u>63,417</u>	<u>45,264</u>

(b) **Reconciliation of reportable segment revenue, loss, assets and liabilities**

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
<b>Revenue</b>		
Reportable segment revenue	49,674	40,672
Elimination of inter-segment revenue	<u>(482)</u>	<u>(901)</u>
Consolidated revenue	<u>49,192</u>	<u>39,771</u>
<b>Loss before tax</b>		
Reportable segment loss	(15,255)	(12,114)
Elimination of inter-segment losses	—	419
Interest income	1	48
Unallocated corporate expenses ( <i>note (i)</i> )	<u>(5,733)</u>	<u>(10,111)</u>
Consolidated loss before tax	<u>(20,987)</u>	<u>(21,758)</u>

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
<b>Assets</b>		
Reportable segment assets	40,164	29,811
Elimination of inter-segment assets	(18)	—
Tax recoverable	291	438
Unallocated corporate assets	749	1,843
	<u>41,186</u>	<u>32,092</u>
Consolidated total assets	<u><b>41,186</b></u>	<u><b>32,092</b></u>
<b>Liabilities</b>		
Reportable segment liabilities	63,417	45,264
Elimination of inter-segment liabilities	(36,793)	(30,765)
Unallocated corporate liabilities	45,097	28,480
	<u>71,721</u>	<u>42,979</u>
Consolidated total liabilities	<u><b>71,721</b></u>	<u><b>42,979</b></u>

*Note:*

- (i) The amount represented unallocated corporate expenses that are not allocated to operating segments, including professional fees, directors' emoluments, employee costs, foreign exchange loss and other head office expenses as well as the expenses incurred in the Industrial Hemp Planting Business.

(c) **Geographical information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets, i.e. property, plant and equipment, deposits paid and right-of-use assets.

	Revenue from external customers (note)		Non-current assets	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Hong Kong	7,287	6,304	455	2,726
United States of America	29,888	22,707	—	—
Europe	7,130	8,229	—	—
The PRC	810	14	15,698	1,037
Other countries	4,077	2,517	—	—
Total	<u>49,192</u>	<u>39,771</u>	<u>16,153</u>	<u>3,763</u>

Note: Revenues are attributed to countries based on the customers' location (place of domicile).

(d) **Information about major customers**

Revenue from a customer that contributing over 10% of the total revenue of the Group is as follows:

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Customer A*	27,046	20,578
Customer B*	— <sup>#</sup>	4,284
Customer C*	7,516	— <sup>#</sup>
	<u>34,562</u>	<u>24,862</u>

\* Customer arising from the Leather Manufacturing Business segment.

<sup>#</sup> The corresponding revenue from such customer did not contribute 10% or more of the Group's total revenue for the year.

The Group's customer base is highly concentrated. Revenue may significantly decline if the Group loses one or more of its significant customers. The Group seeks to diversify the Group's product portfolio and widen the customer base stream to reduce the concentration risk.

#### 4. REVENUE

The principal activities of the Group are manufacturing and distribution of leather products, and retail of fashion apparel, footwear and leather accessories. During the year ended 31 December 2020, the Group has extended its business into the Industrial Hemp Plantation Business, which is still in a preliminary development stage and no revenue has been generated during the year.

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Revenue from contracts with customers</b>		
<i>Sale of goods</i>		
Manufacturing and distribution of leather products	46,016	36,743
Retail of fashion apparel, footwear and leather accessories	3,176	3,028
	<u>49,192</u>	<u>39,771</u>

#### 5(a). LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Auditor's remuneration		
— Audit and other assurance related services	1,230	880
— Under-provision for prior year	200	—
Employee costs, excluding directors' emoluments		
— Salaries, allowance and other benefits	18,613	17,212
— Retirement scheme contributions	1,441	575
	<u>20,054</u>	<u>17,787</u>
Depreciation of property, plant and equipment	928	146
Depreciation of right-of-use assets	4,168	4,993
Foreign exchange losses, net	684	629
Interest income	(1)	(48)

## 5(b). OTHER GAINS/(LOSSES)

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Impairment loss on property, plant and equipment	—	(1,545)
Impairment loss on right-of-use assets	(606)	(4,502)
Sales of scrap	1,328	—
	<u>722</u>	<u>(6,047)</u>

## 6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax or corporate income tax of the PRC has been provided as the Group did not generate any assessable profits arising in Hong Kong and the PRC or has available tax losses brought forward from prior years to offset the assessable profits generated during the years ended 31 December 2021 and 2020.

In December 2021, the tax audit initiated by the Hong Kong Inland Revenue Department were settled and the additional assessments raised for the years of assessments of 2011/2012 to 2014/2015 were withdrawn. The tax reserve certificates purchased of HK\$227,500 were refunded in December 2021.

## 7. DIVIDEND

The Directors do not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

## 8. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$20,987,000 (2020: approximately HK\$21,758,000) and the number of ordinary shares of 382,704,000 (2020: 382,704,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2021 and 2020 in respect of a dilution as the Company had no potential dilutive ordinary shares in issue during these years.

## 9. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment amounted to approximately HK\$6,065,000 for the year ended 31 December 2021 (2020: HK\$1,609,000).

The Group performed an impairment assessment on the property, plant and equipment. No impairment loss was recognised in profit or loss for the year ended 31 December 2021 (2020: HK\$1,545,000).

## 10. TRADE RECEIVABLES

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Trade receivables	<b>8,238</b>	10,956
Less: Impairment loss	<b>(1,148)</b>	(1,123)
	<hr/>	<hr/>
Net carrying amount	<b>7,090</b>	9,833
	<hr/> <hr/>	<hr/> <hr/>

No credit term is granted to customers of the Leather Retail Business. Trade receivables are arising from customers of the Leather Manufacturing Business, whose are generally granted with credit terms of 30 to 90 days from the date of invoice.

The ageing analysis of trade receivables (net of impairment loss) at the end of the reporting period, based on invoice date, is as follows:

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Less than 30 days	<b>1,906</b>	5,453
31 to 60 days	<b>3,989</b>	3,679
61 to 90 days	<b>1,195</b>	685
91 to 120 days	—	11
121 to 365 days	—	1
More than 365 days	—	4
	<hr/>	<hr/>
	<b>7,090</b>	9,833
	<hr/> <hr/>	<hr/> <hr/>

## 11. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Less than 30 days	1,023	1,185
31 to 60 days	924	349
61 to 90 days	959	867
91 to 120 days	1,265	2
121 to 365 days	238	2
Over 365 days	354	341
	<u>4,763</u>	<u>2,746</u>

## 12. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Other payables	5,694	3,575
Accrued expenses	5,392	3,986
Due to former fellow subsidiaries	8,171	8,171
Due to former intermediate holding company	5,590	5,590
	<u>24,847</u>	<u>21,322</u>

The amounts due to former fellow subsidiaries and a former intermediate holding company are unsecured, interest-free and have no fixed terms of repayment.

## 13. DUE TO A DIRECTOR, ULTIMATE CONTROLLING SHAREHOLDER AND A RELATED COMPANY

The amount due to the ultimate controlling shareholder, namely Mr. Zhao, amounting to HK\$8,791,000 (2020: HK\$263,000), is unsecured, interest-free and has no fixed terms of repayment. Mr. Zhao has confirmed that he would not demand for repayment of the amount due to him until the Group is in a position to do so.

The amount due to a director, namely Mr. Qin, amounting to HK\$501,000 (2020: Nil), is unsecured, interest-free and has no fixed terms of repayment. Mr. Qin has confirmed that he would not demand for repayment of the amount due to him until the Group is in a position to do so.

The amount due to a related company, namely 北京盛茂坤科技產業發展有限公司, amounting to HK\$1,848,000 (2020: Nil), is unsecured, interest-free and has no fixed terms of repayment.

#### 14. LOAN FROM A DIRECTOR

On 28 October 2019, the Company entered into a loan agreement with Mr. Qin, pursuant to which, Mr. Qin granted a loan of HK\$8,000,000 to the Company which is unsecured, interest-free and repayable on demand. Mr. Qin has confirmed that he will not demand for repayment of the loan due to him until the Company is in a position to do so.

#### 15. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Balance as at 1 January	3,262	—
New loan agreements entered:		
Principal amounts	7,657	3,374
Notional interest saving arising from the interest-free loans	<u>(1,008)</u>	<u>(389)</u>
	9,911	2,985
Imputed interest charged	501	93
Repayment	(591)	—
Exchange realignment	<u>147</u>	<u>184</u>
Balance as at 31 December	9,968	3,262
Less: Current portion	<u>(5,207)</u>	<u>—</u>
Non-current portion	<u><u>4,761</u></u>	<u><u>3,262</u></u>

In 2020, the Group entered into a loan agreement with the ultimate controlling shareholder, Mr. Zhao, pursuant to which, Mr. Zhao granted an unsecured interest-free loan of RMB3,000,000 (equivalent to approximately HK\$3,374,000) to the Group, which is repayable on or before 30 June 2022. The interest-free loan was carried at amortised cost, using an effective interest rate of 6%.

In 2021, the Group further entered into certain loan agreements with Mr. Zhao, pursuant to which, Mr. Zhao granted certain interest-free loans with aggregate principal amounts of RMB4,500,000 (equivalent to approximately HK\$5,431,000) and HK\$2,226,000 to the Group, which are repayable on or before June 2023 and June 2022, respectively. The interest-free loans repayable on or before June 2023 were carried at amortised cost, using effective interest rates of 10%.

## 16. LEASES

During the year ended 31 December 2021, the Group entered into certain new lease agreements for office premises, retail shops, manufacturing plant and parcel of farmland used in the Industrial Hemp Planting Business for terms ranging from 5 months to 5 years (2020: 1 year to 2 years). The Group applied the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Right-of-use assets and lease liabilities amounting to approximately HK\$12,564,000 and HK\$12,524,000, respectively, were initially recognised during the year ended 31 December 2021 (2020: HK\$7,019,000 and HK\$6,835,000, respectively).

The Directors considered that there were impairment indicators because of the substantial loss during the year ended 31 December 2021. Accordingly, an impairment loss of approximately HK\$606,000 (2020: HK\$4,502,000) was recognised in the condensed consolidated statement of profit or loss during the year ended 31 December 2021.

## 17. SHARE CAPITAL

### Authorised and issued share capital

	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 (unaudited) (ordinary shares of HK\$0.01 each)	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 (unaudited) (ordinary shares of HK\$0.01 each)	<u>382,704,000</u>	<u>3,827</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE

The Group has recorded revenue of approximately HK\$49,192,000 for the year ended 31 December 2021 (2020: approximately HK\$39,771,000), representing a significant increase of 23.7% or approximately HK\$9,421,000 as compared with the year ended 31 December 2020. Revenue contributed from manufacturing and retail business segments (excluding inter-segment revenue) was approximately HK\$46,016,000 and approximately HK\$3,176,000 for the year ended 31 December 2021, respectively. Gross profit was approximately HK\$9,820,000 for the year ended 31 December 2021 (2020: approximately HK\$11,934,000). There was a decrease in gross profit margin from approximately 30.0% for the year ended 31 December 2020 to approximately 20.0% for the year ended 31 December 2021 as extra production costs incurred during the transition period of factory relocation.

Other income decreased by 51.7% from approximately HK\$2,772,000 for the year ended 31 December 2020 to approximately HK\$1,338,000 for the year ended 31 December 2021. The decrease was mainly attributable to the government subsidies of approximately HK\$1,584,000 in response to the outbreak of coronavirus disease (“COVID-19”) for the year ended 31 December 2020.

Other gains/losses changes from a loss of approximately HK\$6,047,000 for the year ended 31 December 2020 to a gain of approximately HK\$722,000 for the year ended 31 December 2021. The change was mainly due to the reduction in impairment loss on right-of-use assets and property, plant and equipment by approximately HK\$5,441,000 and an income from sales of scrap of approximately HK\$1,328,000 during the year ended 31 December 2021.

Selling and distribution costs increased significantly by approximately HK\$3,217,000 to approximately HK\$7,575,000 for the year ended 31 December 2021 (2020: approximately HK\$4,358,000). The increase was in line with the increase in revenue. Also, with the significant impact of the COVID-19 pandemic, the global supply chain has been in an unstable state and the global transportation cost continued to rise, and the Company adopted short-term retail shop leases as a more flexible strategy which recognized more short term retail lease rentals.

Administrative and other operating expenses decreased by approximately HK\$1,853,000 to approximately HK\$23,302,000 (2020: approximately HK\$25,155,000) for the year ended 31 December 2021. The decrease was mainly due to the decrease in employee costs as a result of the strengthened human resources management of the Group and the decrease in professional fee of the Group.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$20,987,000 (2020: approximately HK\$21,758,000) for the year ended 31 December 2021. Loss per share for the year ended 31 December 2021 was HK5.5 cents (2020: HK5.7 cents).

## BUSINESS REVIEW

For the year ended 31 December 2021, the Leather Manufacturing Business and Leather Retail Business accounted for approximately 93.5% (2020: approximately 92.4%) and approximately 6.5% (2020: approximately 7.6%) of the Group's total revenue, respectively.

### Leather Manufacturing Business

For the year ended 31 December 2021, revenue of the Leather Manufacturing Business from external customers was approximately HK\$46,016,000, in comparison with approximately HK\$36,743,000 for the year ended 31 December 2020. The increase was mainly due to the increase in vaccination rates and reopening of border in overseas countries, the international consumption environment has gradually stabilized, especially the demand from the United States of America and other countries.

Revenue analysis by geographic location:

	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	<b>4,921</b>	<b>10.7</b>	3,276	8.9
United States of America	<b>29,888</b>	<b>65.0</b>	22,707	61.8
Europe	<b>7,130</b>	<b>15.5</b>	8,229	22.4
The PRC	—	—	14	0.0
Other countries	<b>4,077</b>	<b>8.8</b>	2,517	6.9
	<b><u>46,016</u></b>	<b><u>100</u></b>	<b><u>36,743</u></b>	<b><u>100</u></b>

Revenue analysis by product category:

	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Belts	<b>44,952</b>	<b>97.7</b>	35,937	97.8
Leather goods and other accessories	<b>1,064</b>	<b>2.3</b>	806	2.2
	<b><u>46,016</u></b>	<b><u>100</u></b>	<b><u>36,743</u></b>	<b><u>100</u></b>

## **Leather Retail Business**

For the Leather Retail Business, due to the adverse retail environment of Hong Kong largely due to the outbreak of the COVID-19 pandemic, and keen competition from rivals and online sales, the Group recorded revenue of approximately HK\$2,366,000 from Hong Kong (2020: approximately HK\$3,028,000) for the year ended 31 December 2021, representing an approximately 21.9% decrease in comparison with the year ended 31 December 2020. Nonetheless, the Company actively developed its online retail business in the PRC and recorded revenue of approximately of HK\$810,000 from the PRC (2020: Nil) during the year ended 31 December 2021. Gross profit margin for the year ended 31 December 2021 increased to approximately 68.4%, increased as compared to the year ended 31 December 2020's margin of approximately 56.6%.

The Leather Retail Business resulted in a loss of approximately HK\$5,787,000 for the year ended 31 December 2021 as compared to approximately HK\$7,286,000 for the year ended 31 December 2020. The Group maintained four (2020: four) AREA 0264 stores and one (2020: one) Teepee Leather workshop in Hong Kong as at 31 December 2021.

## **PROSPECTS**

In 2021, with the gradual relief of the global COVID-19 epidemic, global production gradually approached the pre-epidemic level, consumption accelerated recovery, and consumption in the overseas leatherware market resumed somewhat.

With the increase in vaccination rates and reopening of border in overseas countries, the international consumption environment has gradually stabilized. In addition, the Fourteenth Five-Year Plan (the “**145 Plan**”) sets out the development vision of the PRC for the next five years up to 2035. The 145 plan has active measures to increase the supply and demand of domestic consumers, which is a good omen for the future of the retail industry and is positive for the retail and e-commerce markets.

Looking forward to 2022, the Group remains optimistic about the situation of the leatherware industry. With the replenishment demand of oversea brands and the continuous recovery of overseas demand, it is expected that leatherware orders will continue to improve in coming years. However, due to the continuing impact of the COVID-19 pandemic, there are also certain uncertainties ahead.

In addition, the existing retail market and popularity are constantly changing, and consumers with high spending power are gradually becoming younger. However, our existing leatherware products' styles are outdated and lack of attractiveness. In 2022, we will keep focusing on designing and launching a new series of leatherware products that are in the style of our brand named AREA 0264 without losing trendy elements. It is expected that it will bring a new modern atmosphere to the retail business.

In the meantime, with the opening of the new factory in Dongguan in the second half of 2021, the Group will focus on improving the production efficiency within the factory in order to achieve its optimal production level.

Furthermore, as announced on 16 June 2020, the Group has undertaken plans to diversify into the businesses of industrial hemp planting and hemp fabric product production (the “**Business Plan**”). Hemp fabric is made of fibres from industrial hemp, and is a type of textile which is antibacterial, strong and versatile, and fill in as a characteristic environment-adjusting framework that makes it desirable for both summer and winter.

The Group has obtained the relevant permit to plant industrial hemp and rented a parcel of land in Yunnan for the trial cultivation of industrial hemp. The Group has also secured the provision of the industrial hemp seeds of Yunma No. 7\* (雲麻7號) from the Institute of Economic Crops of the Yunnan Academy of Agricultural Science\* (雲南省農業科學院經濟作物研究所). The Group is still in a preliminary development stage and committed to experimental cultivation of industrial hemp. The Group looks forward to the successful trial planting and the ability to manufacture and produce hemp fabrics in the future.

The Board considers that the Business Plan, if materialized, could diversify the Group's product portfolio and income streams, thereby improving its profitability in the long term.

The Group will continue to work with customers, shareholders and business partners for the sustainable development of society, and concurrently review its business strategic directions and operations with a vision to further mitigate loss and to maximize its shareholders' value.

\* *For identification purpose only*

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2021, the Group's cash and bank deposits were approximately HK\$1,469,000 as compared to approximately HK\$2,280,000 as at 31 December 2020.

The Group recorded total current assets of approximately HK\$25,033,000 (31 December 2020: approximately HK\$28,329,000) as at 31 December 2021 and total current liabilities of approximately HK\$58,292,000 (31 December 2020: approximately HK\$37,854,000) as at 31 December 2021. The decrease in total current assets was mainly due to the decrease in trade receivables, amount due from a related company, pledged time deposit and cash and bank balances. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.43 times (31 December 2020: approximately 0.75 times) as at 31 December 2021.

As at 31 December 2021, the Group had total assets amounting to approximately HK\$41,186,000 (2020: approximately HK\$32,092,000) and total liabilities of approximately HK\$71,721,000 (2020: approximately HK\$42,979,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 174.1% as at 31 December 2021 (2020: approximately 133.9%).

The drop in current ratio and the increase in gearing ratio was mainly resulted by the increase of advances and loans from the ultimate controlling shareholder provided during the year for supporting the Group's operating needs.

The Group recorded deficiency in assets of approximately HK\$30,535,000 as at 31 December 2021 (31 December 2020: HK\$10,887,000), which was mainly attributable to the operating loss of the year.

As detailed in note 2.1 to this announcement, the Company has undertaken various measures to improve its liquidity.

### **Inventories and trade receivables**

The Group recorded total inventories of approximately HK\$10,566,000 as at 31 December 2021 (31 December 2020: approximately HK\$11,265,000) and the inventory turnover days decreased to 98 days as at 31 December 2021 from 148 days as at 31 December 2020. The Group had trade receivables of approximately HK\$7,090,000 as at 31 December 2021 (31 December 2020: approximately HK\$9,833,000) and the debtor turnover days decreased from 90 days to 53 days. The improvement on inventory turnover days and the debtor turnover days was mainly due to the global economic activities gradually resumed during the year ended 31 December 2021.

## **SIGNIFICANT INVESTMENTS HELD**

There were no significant investments held as at 31 December 2021 and 31 December 2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

## **TREASURY POLICY**

The Group generally finances its operation with internally generated resources and advances and loans from directors and the ultimate controlling shareholder. Cash and bank deposits of the Group are mainly denominated in HK\$, USD and RMB. Transactions of the Group are mainly denominated in HK\$, USD and RMB. As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rate. In this regard, the Group is not exposed to significant currency risk arising from USD. The fluctuations in the RMB's value against other currencies will create foreign currency translation gains or losses and may have a significant impact on the Group's business, financial condition and results. The Group currently does not have any foreign currency hedging policy. However, the management of the Company will continue to monitor foreign exchange exposure and will consider taking approximate measures to mitigate significant foreign currency exposure should the need arise.

## **CHARGES ON ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any charges on assets (2020: time deposits at a bank of approximately HK\$430,000).

The Group had no significant contracted capital commitments and contingent liabilities as at 31 December 2021 and 31 December 2020.

## **EVENT AFTER THE REPORTING PERIOD**

There was no material event occurring after the reporting period.

## HUMAN RESOURCES

As at 31 December 2021, the Group employed 157 employees (2020: 169). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including defined contribution plans, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-the-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

## FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is important to the success of the Company. The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value and safeguard the interests of shareholders.

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 December 2021 except for the Code Provisions D.2.5 and C.5.1 in respect of having an internal audit function and holding board meetings at least four times a year at approximately quarterly intervals.

Under Code Provision D.2.5 of the CG Code, the Group should have an internal audit function. The Group has reviewed the need for an internal audit department annually. Given the Group's simple operating structure, the management is of the opinion that instead of setting up an internal audit department, it would be more cost effective to engage an independent external professional party to review on annual basis the internal control systems and measures of the Group and report to the audit committee (the "**Audit Committee**") members.

Due to the difficulties encountered by the Company in arranging meeting of all Directors for the year ended 31 December 2021, only three Board meetings were held. In view of the above and in order to comply with Code Provision C.5.1 of the CG Code, the Company has planned in advance four scheduled Board meetings a year at approximately quarterly intervals in order that the Directors can plan in advance their availability.

The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2021.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2021.

## **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. The Audit Committee currently comprises Ms. Han Yu (Committee Chairlady), Ms. Jia Lixin and Mr. Rong Yi. The Audit Committee has reviewed and discussed with the management the financial reporting matters including the unaudited annual results for the year ended 31 December 2021.

The unaudited annual results contained herein have not been audited by nor agreed with the Company's auditors.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## **COMPETING INTERESTS**

None of the Directors or substantial shareholders of the Company or their respective close associates (as defined in the Listing Rules) has any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group, during the year ended 31 December 2021 and up to the date of this announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the shareholders of the Company (the "AGM") will be held after despatch of the annual report for the year ended 31 December 2021. The notice of the AGM will be published and despatched to the shareholders of the Company in due course.

## **FURTHER ANNOUNCEMENTS**

Due to the outbreak of the COVID-19 pandemic, the audit process has been delayed, and additional time is required for the auditors of the Company to finalise the audited annual results for the year ended 31 December 2021. The unaudited annual results contained herein have not yet been agreed with the Company's auditors.

Following the completion of the audit process, the Company will issue further announcement in relation to (i) the audited annual results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, which is expected to be issued on or before end of April 2022; (ii) the proposed date on which the forthcoming AGM will be held, and (iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the AGM.

The Company will make further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

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

The unaudited results announcement is published on the websites of the Company ([www.irasia.com/listco/hk/cidc/index.htm](http://www.irasia.com/listco/hk/cidc/index.htm)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). An annual report for the year ended 31 December 2021 containing all the information required by the Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to express my heartfelt gratitude to the management team and all our staff for their hard work, commitment, dedication and contribution, and all of our shareholders, valuable customers and banks for their ongoing support.

**The financial information contained herein in respect of the unaudited annual results of the Group have not been audited by nor agreed with the auditors of the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company. When in doubt, shareholders of the Company and potential investors are advised to seek advice from professional parties or financial advisers.**

By order of the Board  
**China International Development Corporation Limited**  
**Zhao Jingfei**  
*Chairman and Executive Director*

Hong Kong, 31 March 2022

*As at the date of this announcement, the executive Directors are Mr. Zhao Jingfei, Mr. Fan Xin and Mr. Qin Bohan; and the independent non-executive Directors are Ms. Han Yu, Ms. Jia Lixin and Mr. Rong Yi.*