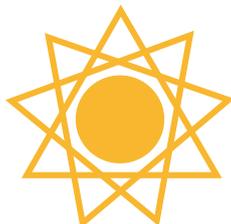


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China International Development Corporation Limited
中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 264)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China International Development Corporation Limited (the “**Company**”) is pleased to present the annual results of the Company and its subsidiaries (together referred to as the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	56,042	49,192
Cost of sales		<u>(45,781)</u>	<u>(39,372)</u>
Gross profit		10,261	9,820
Other income		675	1,338
Other (losses)/gains	5(b)	(1,822)	722
Selling and distribution costs		(5,647)	(7,575)
Administrative and other operating expenses		(19,927)	(23,302)
Impairment of trade receivables		(40)	(25)
Write-back of/(provision for) impairment of other receivables		4	(43)
Finance costs		<u>(2,440)</u>	<u>(1,922)</u>
Loss before tax	5(a)	(18,936)	(20,987)
Income tax expense	6	<u>–</u>	<u>–</u>
Loss for the year attributable to owners of the Company		<u>(18,936)</u>	<u>(20,987)</u>
Other comprehensive income			
<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>327</u>	<u>331</u>
Other comprehensive income for the year		<u>327</u>	<u>331</u>
Total comprehensive income for the year attributable to owners of the Company		<u>(18,609)</u>	<u>(20,656)</u>
Loss per share attributable to owners of the Company			
– Basic and diluted	8	<u>HK(4.9) cents</u>	<u>HK(5.5) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	9	4,370	5,449
Right-of-use assets	16	7,187	9,791
Deposits paid		1,194	913
Total non-current assets		12,751	16,153
Current assets			
Inventories		5,718	10,566
Trade receivables	10	7,943	7,090
Prepayments, deposits and other receivables		1,407	5,617
Tax recoverable		268	291
Cash and cash equivalents		2,495	1,469
Total current assets		17,831	25,033
Current liabilities			
Trade payables	11	7,032	4,763
Other payables and accruals	12	21,682	24,847
Due to a director	13	–	501
Due to ultimate controlling shareholder	13	9,135	8,791
Due to a related company	13	1,702	1,848
Loan from a director	14	8,000	8,000
Loans from ultimate controlling shareholder	15	4,863	5,207
Lease liabilities	16	4,326	4,335
Total current liabilities		56,740	58,292
Net current liabilities		(38,909)	(33,259)
Total assets less current liabilities		(26,158)	(17,106)

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Loans from ultimate controlling shareholder	15	14,139	4,761
Lease liabilities	16	5,719	8,668
		<hr/>	<hr/>
Total non-current liabilities		19,858	13,429
		<hr/>	<hr/>
Net liabilities		(46,016)	(30,535)
		<hr/> <hr/>	<hr/> <hr/>
Deficiency in assets			
Share capital	17	3,827	3,827
Reserves		(49,843)	(34,362)
		<hr/>	<hr/>
Total deficiency in assets		(46,016)	(30,535)
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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; (ii) retail of fashion apparel, footwear and leather accessories; and (iii) the industrial hemp planting and production of hemp fabric products in Mainland China (the “**Mainland China**”).

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 the chairman of the board of Directors. The registered office of Waterfront is located at Sertus Chambers, PO Box 905, Quastisky Building, Road Town, Tortola, BVI.

2.1 BASIS OF PREPARATION

These 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 (the “**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. These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of a 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\$18,936,000 during the year ended 31 December 2022 and had net current liabilities and deficiency in assets of approximately HK\$38,909,000 and HK\$46,016,000, respectively, as at 31 December 2022; and (ii) had cash and cash equivalents of approximately of HK\$2,495,000 only to meet its financial obligations. These conditions indicate the existence of a material uncertainty that 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 2022 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 as at 31 December 2022 until the Company is in a position to do so. The loan from Mr. Qin is interest-free, unsecured and has no fixed terms of repayment.

- (ii) In addition to the loan provided by Mr. Qin as stated above, the Company and Mr. Qin entered into another loan agreement on 28 August 2021, pursuant to which, Mr. Qin further granted an unsecured interest-free loan facility up to HK\$30,000,000 to the Company for a term of two years expiring on 27 August 2023, none of which has been utilised as at 31 December 2022 and the date of this announcement.
- (iii) Mr. Zhao Jingfei (“**Mr. Zhao**”), an executive Director, the chairman of the board of Directors and the ultimate controlling shareholder of the Company, has entered into certain loan agreements with the Company in July and August 2022, pursuant to which, Mr. Zhao further provided certain unsecured interest-free loans to the Company with aggregate principal amounts of US\$1,480,000 (equivalent to approximately HK\$11,544,000 in aggregate).

As at 31 December 2022, Mr. Zhao has provided certain loans to the Group with aggregate principal of RMB7,010,000, HK\$2,226,000 and US\$1,480,000 (equivalent to approximately HK\$21,678,000 in aggregate, collectively the “**Shareholder Loans**”), out of which, aggregate outstanding loan principal amounts of RMB4,500,000 (equivalent to approximately HK\$5,076,000) are repayable on or before June 2023 (the “**2023 Due Loans**”) while the remaining balance of the loans is due in 2024. On 10 March 2023, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2023 Due Loans for additional two years.

- (iv) In addition to the Shareholder Loans, the Company and Mr. Zhao entered into another loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao further granted an unsecured interest-free loan facility up to HK\$20,000,000 (the “**Shareholder Facility**”) to the Company for a term of two years. On 17 May 2022, the Company and Mr. Zhao agreed to extend the expiry date of the loan facility to 27 May 2024. As at 31 December 2022 and the date of this announcement, none of the Shareholder Facility has been utilised.
- (v) The Company and an independent third party (the “**Lender**”) licenced under the Money Lenders Ordinance, entered into a loan facility agreement on 30 March 2023, pursuant to which, the Lender granted a loan facility up to HK\$30,000,000 (the “**External Financing Facility**”) to the Company for a term of 14 months, extendable to 26 months. Any amounts drawn down under the External Financing Facility will bear interest at 20% per annum and is unsecured. As at the date of this announcement, the External Financing Facility has not been drawn down.
- (vi) The Company has obtained a letter of financial support from Mr. Zhao, pursuant to which, Mr. Zhao agreed not to demand for repayment of (a) the Shareholder Loans; and (b) other amount due to him of approximately HK\$9,135,000 as at 31 December 2022 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 2022.

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financing to the Group under the loan facilities, undertakings and/or financial support from Mr. Zhao and Mr. Qin, and/or the External Financing Facility, 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, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16

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 consolidated financial statements:

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
HKFRS 17	Insurance Contracts and the related Amendments ^{1, 5, 6}
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ^{2, 4}
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with not change in conclusion

⁵ 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

⁶ An entity that choose to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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; (ii) retail of fashion apparel, footwear and leather accessories; and (iii) 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 has 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 Group’s senior executive management, being 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	
	2022 HK\$’000	2021 HK\$’000	2022 HK\$’000	2021 HK\$’000	2022 HK\$’000	2021 HK\$’000
Revenue from external customers	54,542	46,016	1,500	3,176	56,042	49,192
Inter-segment revenue	100	482	–	–	100	482
Reportable segment revenue	<u>54,642</u>	<u>46,498</u>	<u>1,500</u>	<u>3,176</u>	<u>56,142</u>	<u>49,674</u>
Reportable segment loss	<u>(7,391)</u>	<u>(9,468)</u>	<u>(3,655)</u>	<u>(5,787)</u>	<u>(11,046)</u>	<u>(15,255)</u>
Reportable segment assets	27,533	35,325	2,220	4,839	29,753	40,164
Reportable segment liabilities	<u>20,212</u>	<u>22,070</u>	<u>42,218</u>	<u>41,347</u>	<u>62,430</u>	<u>63,417</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	56,142	49,674
Elimination of inter-segment revenue	<u>(100)</u>	<u>(482)</u>
Consolidated revenue	<u>56,042</u>	<u>49,192</u>
Loss before tax		
Reportable segment loss	(11,046)	(15,255)
Elimination of inter-segment losses	–	–
Interest income	–	1
Unallocated corporate expenses (<i>note (i)</i>)	<u>(7,890)</u>	<u>(5,733)</u>
Consolidated loss before tax	<u>(18,936)</u>	<u>(20,987)</u>
Assets		
Reportable segment assets	29,753	40,164
Elimination of inter-segment assets	(147)	(18)
Tax recoverable	268	291
Unallocated corporate assets	<u>708</u>	<u>749</u>
Consolidated total assets	<u>30,582</u>	<u>41,186</u>
Liabilities		
Reportable segment liabilities	62,430	63,417
Elimination of inter-segment liabilities	(40,652)	(36,793)
Unallocated corporate liabilities	<u>54,820</u>	<u>45,097</u>
Consolidated total liabilities	<u>76,598</u>	<u>71,721</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 and right-of-use assets.

	Revenue from external customers <i>(note)</i>		Non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	7,950	7,287	1,014	338
United States of America	32,655	29,888	–	–
Europe	9,852	7,130	–	–
The Mainland China	718	810	10,543	14,902
Other countries	4,867	4,077	–	–
Total	<u>56,042</u>	<u>49,192</u>	<u>11,557</u>	<u>15,240</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A*	34,424	27,046
Customer B*	<u>6,341</u>	<u>7,516</u>
	<u>40,765</u>	<u>34,562</u>

* Customer arising from the Leather Manufacturing Business segment.

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

4. REVENUE

The principal activities of the Group are manufacturing and distribution of leather products, retail of fashion apparel, footwear and leather accessories, and Industrial Hemp Planting Business. However, the Industrial Hemp Planting Business is still in a preliminary development stage and no revenue has been generated during the years.

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with external customers		
<i>Sale of goods</i>		
Manufacturing and distribution of leather products	54,542	46,016
Retail of fashion apparel, footwear and leather accessories	<u>1,500</u>	<u>3,176</u>
	<u>56,042</u>	<u>49,192</u>

5(a). LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration		
– Audit and other assurance related services	1,160	1,330
– Under-provision for prior year	200	200
Cost of inventories*	45,781	39,372
Employee costs, excluding directors' emoluments*		
– Salaries, allowance and other benefits	17,199	18,613
– Retirement scheme contributions	1,159	1,441
	<u>18,358</u>	<u>20,054</u>
Depreciation of property, plant and equipment*	706	928
Depreciation of right-of-use assets*	3,360	4,168
Impairment of trade receivable	40	25
(Write-back) of/provision for impairment of other receivable	(4)	43
Provision for onerous short-term lease contracts	576	536
Foreign exchange (gains)/losses, net	(356)	684
Interest income	–	(1)
	<u><u> </u></u>	<u><u> </u></u>

* Cost of inventories included HK\$8,876,000 (2021: HK\$10,479,000) for the year ended 31 December 2022 relating to employee costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, which amounts are also included in the respective total amounts disclosed above for each of these types of expenses.

5(b). OTHER (LOSSES)/GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment loss on right-of-use assets	(1,822)	(606)
Sales of scrap	–	1,328
	<u>(1,822)</u>	<u>722</u>

6. INCOME TAX EXPENSE

No Hong Kong profits tax or corporate income tax of the Mainland China has been provided as the Group did not generate any assessable profits arising in Hong Kong and the Mainland China or has available tax losses brought forward from prior years to offset the assessable profits generated during the years ended 31 December 2022 and 2021.

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

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\$18,936,000 (2021: approximately HK\$20,987,000) and the number of ordinary shares of 382,704,000 (2021: 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 2022 and 2021 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\$29,000 for the year ended 31 December 2022 (2021: HK\$6,065,000).

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 2022 (2021: Nil).

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	9,131	8,238
Less: Impairment loss	<u>(1,188)</u>	<u>(1,148)</u>
Net carrying amounts	<u><u>7,943</u></u>	<u><u>7,090</u></u>

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) as at the end of the reporting period, based on invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 30 days	3,833	1,906
31 to 60 days	2,317	3,989
61 to 90 days	1,631	1,195
91 to 120 days	20	–
121 to 365 days	142	–
More than 365 days	<u>–</u>	<u>–</u>
	<u><u>7,943</u></u>	<u><u>7,090</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 30 days	2,697	1,023
31 to 60 days	2,045	924
61 to 90 days	1,244	959
91 to 120 days	654	1,265
121 to 365 days	22	238
Over 365 days	370	354
	<u>7,032</u>	<u>4,763</u>

12. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other payables	3,469	5,694
Accrued expenses	4,452	5,392
Due to former fellow subsidiaries	8,171	8,171
Due to former intermediate holding company	5,590	5,590
	<u>21,682</u>	<u>24,847</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\$9,135,000 (2021: HK\$8,791,000), is unsecured, interest-free and has no fixed terms of repayment. Mr. Zhao has confirmed that he will 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 (2022: Nil) as at 31 December 2021, was unsecured, interest-free and had no fixed terms of repayment.

The amount due to a related company, namely 北京盛茂坤科技產業發展有限公司, amounted to HK\$1,702,000 (2021: HK\$1,848,000) as at 31 December 2022 and 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 is 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at 1 January	9,968	3,262
New loan agreements entered:		
Principal amounts	11,544	7,657
Notional interest saving arising from the interest-free loans	(2,058)	(1,008)
Loan extension agreements entered:		
Notional interest saving arising from the interest-free loans	(1,070)	–
	<u>18,384</u>	9,911
Imputed interest charged	1,221	501
Repayment	–	(591)
Exchange realignment	(603)	147
	<u>19,002</u>	9,968
Less: Current portion	(4,863)	(5,207)
	<u>14,139</u>	4,761

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 (the “**2020 Loan**”) to the Group, which was repayable on 30 June 2022. On 17 May 2022, the Group and Mr. Zhao entered into a supplemental agreement to extend the terms of the 2020 Loan with outstanding principal amount of RMB2,510,000 for additional two years. After the extension, the 2020 Loan is repayable on 30 June 2024 and was accounted for at amortised cost, using an effective interest rate of 14%.

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) (the “**Long Term Loans**”) and HK\$2,226,000 (the “**Short Term Loans**”) to the Group. The Short Term Loans are repayable during January 2022 to June 2022. The Long Term Loans are repayable during March 2023 to June 2023 and were accounted for at amortised cost, using an effective interest rate of 10%. On 12 January 2022 and 17 May 2022, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the Short Term Loans for additional two years up to January 2024 to June 2024 and were accounted for at amortised cost, using an effective interest rate of 8%. On 10 March 2023, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the Long Term Loans for additional two years up to March 2025 to June 2025.

In 2022, the Company further entered into certain loan agreements with Mr. Zhao, pursuant to which, Mr. Zhao granted certain interest-free loans with aggregate principal amounts of US\$1,480,000 (equivalent to approximately HK\$11,544,000) (the “**US\$ Loans**”) to the Company. The US\$ Loans, which are repayable during July to August 2024, were accounted for at amortised cost, using an effective interest of 10%.

16. LEASES

During the year ended 31 December 2022, the Group entered into certain new lease agreements for office premises, retail shop and parcel of farmland used in the Industrial Hemp Planting Business for terms ranging from 1 year to 2 years (2021: 5 months to 5 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 each amounting to approximately HK\$3,255,000, were initially recognised during the year ended 31 December 2022 (2021: HK\$12,564,000 and HK\$12,524,000, respectively).

The Directors considered that there were impairment indicators because of the substantial loss during the year ended 31 December 2022. Accordingly, an impairment loss of approximately HK\$1,822,000 (2021: HK\$606,000) was recognised in the consolidated statement of profit or loss during the year ended 31 December 2022.

As at 31 December 2022, the Group has operating lease commitments of approximately HK\$576,000 (2021: HK\$820,000) related to short-term leases for retail shop.

17. SHARE CAPITAL

Authorised and issued share capital

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 (ordinary shares of HK\$0.01 each)	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 (ordinary shares of HK\$0.01 each)	382,704,000	3,827

18. EVENT AFTER THE REPORTING PERIOD

Apart from External Financing Facility and certain supplemental agreements entered into between the Group and Mr. Zhao as disclosed in note 2.1 above, there was no material event occurring subsequent to the end of the reporting period.

19. SCOPE OF WORK OF MESSRS. ASCENDA CACHET CPA LIMITED (“ASCENDA”)

The figures in respect of the Group’s consolidated and Company’s statements of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the Annual Results Announcement have been agreed by the Group’s auditor, Ascenda, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Ascenda in this respect 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 HKICPA and consequently no assurance has been expressed by Ascenda on the announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

Material uncertainty relating to going concern

In forming their opinion, the auditors of the Company (the “**Auditors**”) have considered the adequacy of the disclosures concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. Without qualifying their opinion, the Auditors draw attention to note 2.1 to the consolidated financial statements which indicates that (i) the Group incurred a substantial loss of approximately HK\$18,936,000 during the year and had net current liabilities and deficiency in assets of approximately HK\$38,909,000 and HK\$46,016,000, respectively, as at 31 December 2022; and (ii) the Group had cash and cash equivalents of approximately of HK\$2,495,000 only to meet its financial obligations as at 31 December 2022. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared by the Directors on the basis that the Group will continue to operate as a going concern, the validity of which depends upon the implementation of the following measures:

- (i) The Company has obtained a letter of undertaking from Mr. Qin Bohan (“**Mr. Qin**”), an executive Director, that he would not demand for repayment of the loan with principal amount of HK\$8,000,000 as at 31 December 2022 until the Company is in a position to do so. The loan from Mr. Qin is interest-free, unsecured and has no fixed terms of repayment.
- (ii) In addition to the loan provided by Mr. Qin as stated above, the Company and Mr. Qin entered into another loan agreement on 28 August 2021, pursuant to which, Mr. Qin further granted an unsecured interest-free loan facility up to HK\$30,000,000 to the Company for a term of two years expiring on 27 August 2023, none of which has been utilised as at 31 December 2022 and the date of approving the consolidated financial statements.
- (iii) Mr. Zhao Jingfei (“**Mr. Zhao**”), an executive Director, the chairman (the “**Chairman**”) of the Board and the ultimate controlling shareholder of the Company, has entered into certain loan agreements with the Company in July and August 2022, pursuant to which, Mr. Zhao further provided certain unsecured interest-free loans to the Company with aggregate principal amounts of US\$1,480,000 (equivalent to approximately HK\$11,544,000 in aggregate).

As at 31 December 2022, Mr. Zhao has provided certain loans to the Group with aggregate principal of RMB7,010,000, HK\$2,226,000 and US\$1,480,000 (equivalent to approximately HK\$21,678,000 in aggregate, collectively the “**Shareholder Loans**”), out of which, aggregate outstanding loan principal amounts of RMB4,500,000 (equivalent to approximately HK\$5,076,000) are repayable on or before June 2023 (the “**2023 Due Loans**”) while the remaining balance of the loans is due in 2024. On 10 March 2023, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2023 Due Loans for additional two years.

- (iv) In addition to the Shareholder Loans, the Company and Mr. Zhao entered into another loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao further granted an unsecured interest-free loan facility up to HK\$20,000,000 (the “**Shareholder Facility**”) to the Company for a term of two years. On 17 May 2022, the Company and Mr. Zhao agreed to extend the expiry date of the loan facility to 27 May 2024. As at 31 December 2022 and the date of approving the consolidated financial statements, none of the Shareholder Facility has been utilised.
- (v) The Company and an independent third party (the “**Lender**”) licenced under the Money Lenders Ordinance, entered into a loan facility agreement on 30 March 2023, pursuant to which, the Lender granted a loan facility up to HK\$30,000,000 (the “**External Financing Facility**”) to the Company for a term of 14 months, extendable to 26 months. Any amounts drawn under the External Financing Facility will bear interest at 20% per annum and is unsecured. As at the date of approving the consolidated financial statements, the External Financing Facility has not been drawn down.
- (vi) The Company has obtained a letter of financial support from Mr. Zhao, pursuant to which, Mr. Zhao agreed not to demand for repayment of (a) the Shareholder Loans; and (b) other amount due to him of approximately HK\$9,135,000 as at 31 December 2022 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 2022.

The consolidated financial statements do not include any adjustment that would result from a failure to obtain such financing to the Group under the loan facilities, undertakings and/or financial support from Mr. Zhao and Mr. Qin and/or the External Financing Facility, 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, adjustment would have been made to restate the value of assets to the recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

The Auditors consider that the fundamental uncertainty has been properly disclosed in the consolidated financial statements. The Auditors’ report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group has recorded revenue of approximately HK\$56,042,000 for the year ended 31 December 2022 (2021: approximately HK\$49,192,000), representing an increase of 13.9% or approximately HK\$6,850,000 as compared with the year ended 31 December 2021. Revenue contributed from the Leather Manufacturing Business and Leather Retail Business (excluding inter-segment revenue) was approximately HK\$54,542,000 (2021: approximately HK\$46,016,000) and approximately HK\$1,500,000 (2021: approximately HK\$3,176,000) for the year ended 31 December 2022, respectively. Gross profit was approximately HK\$10,261,000 (2021: approximately HK\$9,820,000) for the year ended 31 December 2022. There was a decrease in gross profit margin from approximately 20.0% for the year ended 31 December 2021 to approximately 18.3% for the year ended 31 December 2022, mainly due to the extra production costs incurred for catching up the delay in production schedule of the Group's Leather Manufacturing Business as a result of the continuous spread of the pandemic as well as the pandemic control and quarantine measures and travelling and logistics restriction implemented in Mainland China and Hong Kong in 2022.

Other income decreased by 49.6% from approximately HK\$1,338,000 for the year ended 31 December 2021 to approximately HK\$675,000 for the year ended 31 December 2022. The decrease was mainly attributable to less rental concessions in response to the outbreak of coronavirus disease ("COVID-19") received from landlords for the year ended 31 December 2022.

Other losses/gains changed from a gain of approximately HK\$722,000 for the year ended 31 December 2021 to a loss of approximately HK\$1,822,000 for the year ended 31 December 2022. The change was mainly due to the increase in impairment loss on right-of-use assets by approximately HK\$1,216,000 during the year ended 31 December 2022 and an income from sales of scrap of approximately HK\$1,328,000 (2022: Nil) was recognised during the year ended 31 December 2021.

Selling and distribution costs decreased significantly by approximately HK\$1,928,000 to approximately HK\$5,647,000 for the year ended 31 December 2022 (2021: approximately HK\$7,575,000). The decrease was mainly brought by the closing down of non-performing stores during the year ended 31 December 2022, thereby reducing rental and salaries expenses.

Administrative and other operating expenses decreased by approximately HK\$3,375,000 to approximately HK\$19,927,000 (2021: approximately HK\$23,302,000) for the year ended 31 December 2022. The decrease was mainly due to the decrease in employee costs for administrative and supporting staff as a result of the strengthened human resources management of the Group and the decrease in exchange loss.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$18,936,000 (2021: approximately HK\$20,987,000) for the year ended 31 December 2022. Loss per share for the year ended 31 December 2022 was HK4.9 cents (2021: HK5.5 cents).

BUSINESS REVIEW

For the year ended 31 December 2022, the Leather Manufacturing Business and the Leather Retail Business accounted for approximately 97.3% (2021: approximately 93.5%) and approximately 2.7% (2021: approximately 6.5%) of the Group's total revenue, respectively.

Leather Manufacturing Business

For the year ended 31 December 2022, revenue of the Leather Manufacturing Business from external customers was approximately HK\$54,542,000, representing an increase of approximately 18.5% in comparison with approximately HK\$46,016,000 for the year ended 31 December 2021. The increase was mainly due to the reopening of borders in overseas countries, and the gradual stabilisation of the international consumption environment, especially the demand from the United States of America, Europe and other countries.

Revenue analysis by geographic location:

	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	6,597	12.1	4,921	10.7
United States of America	32,655	59.9	29,888	65.0
Europe	9,852	18.1	7,130	15.5
The Mainland China	571	1.0	–	–
Other countries	4,867	8.9	4,077	8.8
	54,542	100	46,016	100

Revenue analysis by product category:

	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Belts	52,347	96.0	44,952	97.7
Leather goods and other accessories	2,195	4.0	1,064	2.3
	54,542	100	46,016	100

Leather Retail Business

For the Leather Retail Business, owing 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\$1,352,000 from Hong Kong (2021: approximately HK\$2,366,000) for the year ended 31 December 2022, representing an approximately 57.14% decrease in comparison with that for the year ended 31 December 2021. The Company's online retail business in the Mainland China recorded revenue of approximately of HK\$148,000 from the Mainland China (2021: approximately HK\$810,000) during the year ended 31 December 2022. Gross profit margin of the Leather Retail Business for the year ended 31 December 2022 decreased to approximately 28.5%, as compared to approximately 68.4% for the year ended 31 December 2021. The main reason was that the city closure policy and the suspension of local logistics caused unsatisfactory results of the retail shops in Hong Kong and online retail platforms in Mainland China and write-down of the slow-moving inventories.

The Leather Retail Business resulted in a loss of approximately HK\$3,655,000 for the year ended 31 December 2022 as compared to approximately HK\$5,787,000 for the year ended 31 December 2021. The Group maintained one (2021: four) AREA 0264 store and one (2021: one) Teepee Leather workshop in Hong Kong as at 31 December 2022.

PROSPECTS

2022 is full of challenges for us. The ongoing COVID-19 pandemic over the past three years has disrupted business activities and supply chains across industries and eroded consumption power. The global business environment continues to deteriorate. The global economic slowdown and the breakage of supply chains have led to rising transportation, energy and material prices, and global inflation has been severe and manufacturing industry has also been hit hard, posed a variety of challenges for the Group.

Despite these challenges, the Group remains optimistic about the future of the business and remains confident in the ability of the Group to navigate these uncertain times and emerge stronger than ever. Since December 2022, Chinese government has gradually lifted various COVID-19 control restrictions and social and economic activities have been returning to normal. While we expect it will still take some time for the Group's business to return to the pre-pandemic levels, we remain positive on the outlook. The Group is committed to expanding its existing customer base through business development and cooperation opportunities. The Group is currently undertaking cooperation discussion with at least several new potential clients which are mainly famous fashion apparel brands in Europe, the United States and Asia. The Group is negotiating cooperation terms with the new potential clients, and has completed sample confirmation with orders placed from one new client from Korea. Thus, while maintaining its existing customer base, the Group expects to witness an increase in customer orders during the year ending 31 December 2023. With the easing of the pandemic around the world, the recovery of overseas markets and success in the negotiation with the new potential clients, the Group is likely to record substantial growth in revenue for the year ending 31 December 2023 as compared with that for the year ended 31 December 2022.

Furthermore, the Group has also 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). As a result of the COVID-19 pandemic, the Group is still in a preliminary development stage but is 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 materialised, could diversify the Group’s product portfolio and income streams, thereby help improve its profitability in the long term.

Looking ahead, we will focus on several key initiatives that we believe would help us to achieve profitability and sustainable growth, including measures that improve our operational efficiency and reducing our costs wherever possible. By streamlining our processes and optimizing our supply chain, we believe that we can achieve greater profitability and position ourselves for long-term success. At the same time, we will also actively undertake measures to control operating costs and inventory levels, and maintain healthier cash flow and liquidity.

The Group will continue to work with its customers, shareholders and business partners for the sustainable social development and will regularly review its strategic business directions and operations with a vision to further mitigate loss and to maximise its shareholders’ value.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group’s cash and bank deposits were approximately HK\$2,495,000 as compared to approximately HK\$1,469,000 as at 31 December 2021.

The Group recorded total current assets of approximately HK\$17,831,000 as at 31 December 2022 (31 December 2021: approximately HK\$25,033,000) and total current liabilities of approximately HK\$56,740,000 as at 31 December 2022 (31 December 2021: approximately HK\$58,292,000). The decrease in total current assets was mainly due to the decrease in inventories and prepayments, deposits and other receivables. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.31 times as at 31 December 2022 (31 December 2021: approximately 0.43 times).

* For identification purpose only

As at 31 December 2022, the Group had total assets amounting to approximately HK\$30,582,000 (2021: approximately HK\$41,186,000) and total liabilities of approximately HK\$76,598,000 (2021: approximately HK\$71,721,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 250.5% (31 December 2021: approximately 174.1%) as at 31 December 2022.

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\$46,016,000 (31 December 2021: HK\$30,535,000) as at 31 December 2022, which was mainly attributable to the operating loss of the year.

As detailed in note 2.1 to the above consolidated financial statements, the Company has undertaken various measures to improve its liquidity. The Directors are of the view that the Group will have sufficient working capital to finance its obligations as and when they fall due for at least 12 months from 31 December 2022.

Inventories and trade receivables

The Group recorded total inventories of approximately HK\$5,718,000 (31 December 2021: approximately HK\$10,566,000) as at 31 December 2022 and the inventory turnover days improved to 46 days as at 31 December 2022 from 98 days as at 31 December 2021. The Group had trade receivables of approximately HK\$7,943,000 (31 December 2021: approximately HK\$7,090,000) as at 31 December 2022 and the debtor turnover days remained relatively stable at 52 days (31 December 2021: 53 days).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at and during the year ended 31 December 2022 (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Same as disclosed in the section "Prospects" above, the Group does not have any other plans for material investments and capital assets as at the date of this announcement.

TREASURY POLICY

The Group generally finances its operation with internally generated resources and advances and loans from Directors and the ultimate controlling shareholder of the Company. Cash and bank deposits of the Group are mainly denominated in HK\$, US\$ and RMB. Transactions of the Group are mainly denominated in HK\$, US\$ and RMB. As HK\$ is pegged to US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rate. In this regard, the Group is not exposed to significant currency risk arising from US\$. 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 measures to mitigate significant foreign currency exposure should the need arise.

CHARGES ON ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any charges on assets (2021: Nil).

Other than the operating lease commitments disclosed in note 16 to the above consolidated financial statements, the Group had no significant commitments and contingent liabilities as at 31 December 2022 and 31 December 2021.

EVENT AFTER THE REPORTING PERIOD

Apart from (a) the External Financing Facility; and (b) certain supplemental agreements entered into between the Group and Mr. Zhao Jingfei, an executive Director, Chairman and ultimate controlling shareholder of the Company, each as disclosed in note 2.1 to the above consolidated financial statements, there was no material event occurring subsequent to the end of the reporting period.

HUMAN RESOURCES

As at 31 December 2022, the Group employed 142 (2021: 157) employees. 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 2022 (2021: 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 2022 except for the Code Provision D.2.5 in respect of having an internal audit function.

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. The review covered analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, encompassing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function, as well as those relating to the Company's Environmental, Social and Governance ("**ESG**") performance and reporting. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

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 2022.

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 2022.

AUDIT COMMITTEE

The Company established an 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 and the external auditor the financial reporting matters including the annual results for the year ended 31 December 2022.

THE COMPANY'S ACTIONS TO ADDRESS THE 2021 DISCLAIMER OF OPINION

Reference is made to the supplemental announcement of the Company dated 8 July 2022 (the "**Supplemental Announcement**"), in which the Company set out an action plan (the "**Action Plan**") comprising a number of measures in order to address the disclaimer of opinion issued by the Auditors in relation to the annual report of the Company for the year ended 31 December 2021 (the "**Disclaimer**").

Since the publication of the Supplemental Announcement and in an effort to address the Disclaimer, the Company has taken the measures set out in paragraphs (i) to (v) in the section "Extract of Independent Auditor's Report" above in this announcement. Such actions were largely in line with paragraphs 1, 2 and 4 of the Action Plan.

As indicated in the section "Extract of Independent Auditor's Report" above in this announcement, the Auditors' report for the year ended 31 December 2022 is not qualified in respect of the fundamental uncertainty relating to the going concern basis, meaning no Disclaimer has been issued by the Auditors in relation to the consolidated annual financial statements of the Company for the year ended 31 December 2022.

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 2022 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 2022. The notice of the AGM will be published and despatched to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.irasia.com/listco/hk/cidc/index.htm) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 December 2022 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.

By order of the Board

China International Development Corporation Limited

Zhao Jingfei

Chairman and Executive Director

Hong Kong, 31 March 2023

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.