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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 2023

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 2023, together with the comparative figures for the year ended 31 December 2022 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	4	**30,298**	56,042
Cost of sales		**(24,617)**	(45,781)
Gross profit		**5,681**	10,261
Other income		**179**	675
Other losses	5(b)	**(8,162)**	(1,822)
Selling and distribution costs		**(3,002)**	(5,647)
Administrative and other operating expenses		**(19,359)**	(19,927)
Write-back of/(provision for) impairment of trade receivables		**17**	(40)
(Provision for)/write-back of impairment of other receivables		**(64)**	4
Finance costs		**(2,931)**	(2,440)
Loss before tax	5(a)	**(27,641)**	(18,936)
Income tax expense	6	**(268)**	–
Loss for the year attributable to owners of the Company		**(27,909)**	(18,936)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of operations outside Hong Kong		**177**	327
Other comprehensive income for the year		**177**	327
Total comprehensive income for the year attributable to owners of the Company		**(27,732)**	(18,609)
Loss per share attributable to owners of the Company			
– Basic and diluted	8	**HK(7.2) cents**	HK(4.9) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Non-current assets			
Property, plant and equipment	9	**–**	4,370
Right-of-use assets	16	**–**	7,187
Deposits paid		**781**	1,194
Total non-current assets		**781**	12,751
Current assets			
Inventories		**4,594**	5,718
Trade receivables	10	**5,528**	7,943
Prepayments, deposits and other receivables		**2,133**	1,407
Tax recoverable		**–**	268
Cash and cash equivalents		**997**	2,495
Total current assets		**13,252**	17,831
Current liabilities			
Trade payables	11	**3,100**	7,032
Other payables and accruals	12	**23,977**	21,682
Due to ultimate controlling shareholder	13	**10,897**	9,135
Due to a related company	13	**1,654**	1,702
Loan from a director	14	**8,000**	8,000
Loans from ultimate controlling shareholder	15	**15,604**	4,863
Lease liabilities		**3,151**	4,326
Total current liabilities		**66,383**	56,740
Net current liabilities		**(53,131)**	(38,909)
Total assets less current liabilities		**(52,350)**	(26,158)

	Notes	**2023**	2022
	Notes	***HK$'000***	*HK$'000*
Non-current liabilities			
Loans from ultimate controlling shareholder	15	**3,913**	14,139
Lease liabilities		**3,062**	5,719
Total non-current liabilities		**6,975**	19,858
Net liabilities		**(59,325)**	(46,016)
Deficiency in assets			
Share capital	17	**4,127**	3,827
Reserves		**(63,452)**	(49,843)
Total deficiency in assets		**(59,325)**	(46,016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 is 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 (the "**Leather Manufacturing Business**"); (ii) retail of fashion apparel, footwear and leather accessories (the "**Leather Retail Business**"); and (iii) the industrial hemp planting and production of hemp fabric products (the "**Industrial Hemp Planting Business**").

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 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

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**"). 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**") on 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 successfully raised approximately HK$13,000,000, being the net proceeds received, by placing of new shares completed on 6 November 2023. Notwithstanding with this, the Group (i) incurred a substantial loss of approximately HK$27,909,000 for the year ended 31 December 2023 and had net current liabilities and deficiency in assets of approximately HK$53,131,000 and HK$59,325,000, respectively, as at 31 December 2023; and (ii) had cash and cash equivalents of approximately HK$997,000 only to meet its financial obligations as at 31 December 2023. 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 2023 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, pursuant to which Mr. Qin agreed not to demand for repayment of the loan with principal amount of HK$8,000,000 as at 31 December 2023 until the Company is in a position to do so. The loan due to 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 facility agreement on 28 August 2021, pursuant to which, Mr. Qin further granted an unsecured interest-free loan facility up to HK$30,000,000 (the "**Director Facility**") to the Company for a term of two years. The expiry date of the Director Facility has been extended with a latest expiry date on 27 August 2025. As at 31 December 2023 and the date of approving this announcement, none of the Director Facility has been utilised.

(iii) Mr. Zhao Jingfei ("**Mr. Zhao**"), an executive Director, the chairman and the ultimate controlling shareholder of the Company, had provided certain loans to the Group with aggregate principal amounts of RMB7,010,000, HK$2,226,000 and US$1,480,000 (equivalent to approximately HK$21,454,000 in aggregate, collectively the "**Shareholder Loans**") as at 31 December 2023, out of which, aggregate outstanding loan principal amounts of RMB2,510,000, HK$2,226,000 and US$1,480,000 (equivalent to approximately HK$16,521,000 in aggregate) are repayable in 2024 (the "**2024 Due Loans**") while the remaining loans of RMB4,500,000 (equivalent to approximately HK$4,933,000) are due in 2025. Subsequent to the end of the reporting period on 10 January 2024 and 25 March 2024, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2024 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. The expiry date of the Shareholder Facility has been extended with a latest expiry date on 27 May 2026. As at 31 December 2023 and the date of approving this announcement, none of the Shareholder Facility has been utilised.

(v) 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$10,897,000 as at 31 December 2023 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 2023.

(vi) Further to the external financing facility obtained by the Company from an independent third party on 30 March 2023 for a loan facility up to HK$30,000,000 which will be expired on 30 May 2024, the Company entered into a loan facility agreement with another independent third party (the "**Lender**") subsequent to the end of the reporting period on 26 March 2024 (the "**Facility Commencement Date**"), pursuant to which, the Lender granted a loan facility up to HK$40,000,000 (the "**External Financing Facility**") to the Company for a period from the Facility Commencement Date to 1 July 2025 (the "**Initial Expiry Date**"), extendable from the Initial Expiry Date to 1 July 2026) by a written notice given not less than 2 months before the Initial Expiry Date of 1 July 2025. Any amounts drawn down under the External Financing Facility will bear interest at 20% per annum and is unsecured. As at the date of approving this announcement, none of the External Financing Facility has been utilised.

(vii) Building on the past fund raising experience and connection, the Group will actively seek for alternative funding sources on an ongoing basis. In addition, the Group remains committed to implement stringent cost management measures as a continuous effort to optimise operational efficiency and minimise the cash outflow of non-essential items.

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financing to the Group under the Director Facility and the Shareholder Facility, 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 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.

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.

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

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosure 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 revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	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[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")[1, 4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")[1, 4]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 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 no change in conclusion

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) the Leather Manufacturing Business; (ii) the Leather Retail Business; and (iii) 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**	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**29,547**	54,542	**751**	1,500	**30,298**	56,042
Inter-segment revenue	**137**	100	**–**	–	**137**	100
Reportable segment revenue	**29,684**	54,642	**751**	1,500	**30,435**	56,142
Reportable segment loss	**(17,659)**	(7,391)	**(2,857)**	(3,655)	**(20,516)**	(11,046)
Reportable segment assets	**12,412**	27,533	**1,019**	2,220	**13,431**	29,753
Reportable segment liabilities	**15,171**	20,212	**44,406**	42,218	**59,577**	62,430

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

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**30,435**	56,142
Elimination of inter-segment revenue	**(137)**	(100)
Consolidated revenue	**30,298**	56,042
Loss before tax		
Reportable segment loss	**(20,516)**	(11,046)
Elimination of inter-segment losses	**–**	–
Interest income	**2**	–
Unallocated corporate expenses *(note (i))*	**(7,127)**	(7,890)
Consolidated loss before tax	**(27,641)**	(18,936)
Assets		
Reportable segment assets	**13,431**	29,753
Elimination of inter-segment assets	**(143)**	(147)
Tax recoverable	**–**	268
Unallocated corporate assets	**745**	708
Consolidated total assets	**14,033**	30,582
Liabilities		
Reportable segment liabilities	**59,577**	62,430
Elimination of inter-segment liabilities	**(42,564)**	(40,652)
Unallocated corporate liabilities	**56,345**	54,820
Consolidated total liabilities	**73,358**	76,598

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 *(note)*		**Non-current assets**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**6,122**	7,950	**–**	1,014
The United States	**12,551**	32,655	**–**	–
Europe	**5,854**	9,852	**–**	–
The Chinese Mainland	**1,058**	718	**–**	10,543
Other countries	**4,713**	4,867	**–**	–
Total	**30,298**	56,042	**–**	11,557

Note: Revenues are attributed to geographical locations 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:

	2023	2022
	HK$'000	*HK$'000*
Customer A*	**16,618**	34,424
Customer B*	**4,802**	6,341
	21,420	40,765

* 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 the 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:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with external customers		
Sale of goods		
Manufacturing and distribution of leather products	**29,547**	54,542
Retail of fashion apparel, footwear and leather accessories	**751**	1,500
	30,298	56,042

5(a). LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit and other assurance related services	**1,160**	1,160
– Under-provision for audit services for prior year	**–**	200
– Non-audit services	**30**	–
Cost of inventories*	**24,617**	45,781
Employee costs*, excluding directors' emoluments		
– Salaries, allowance and other benefits	**14,865**	17,199
– Retirement scheme contributions	**1,311**	1,159
	16,176	18,358
Depreciation of property, plant and equipment*	**1,373**	706
Depreciation of right-of-use assets*	**2,748**	3,360
(Write-back of)/provision for impairment of trade receivables	**(17)**	40
Provision for/(write-back of) impairment of other receivables	**64**	(4)
Provision for onerous short-term lease contracts	**675**	576
Foreign exchange gains, net	**(23)**	(356)
Interest income	**(2)**	–

* Cost of inventories included HK$7,942,000 (2022: HK$8,876,000) for the year ended 31 December 2023 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

	2023	2022
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment	**2,964**	–
Impairment loss on right-of-use assets	**5,198**	1,822
	8,162	1,822

6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset the assessable profits generated during the years ended 31 December 2023 and 2022. The provision of CIT in the PRC represents the underprovision of CIT in respect of prior years during the year ended 31 December 2023 (2022: Nil.)

	2023	2022
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the year	**–**	–
Underprovision for prior years	**268**	–
Total	**268**	–

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

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$27,909,000 (2022: approximately HK$18,936,000) and the weighted average number of ordinary shares of 387,306,740 (2022: 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 2023 and 2022 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$71,000 for the year ended 31 December 2023 (2022: HK$29,000).

Leather Retail Business

As at 31 December 2023, the Directors considered that there were impairment indicators on the property, plant and equipment (the "**Retail PPE**") and the ROA (the "**Retail ROA**") of the Leather Retail Business because of the substantial loss incurred for the year ended 31 December 2023. The relevant items of the Retail PPE and Retail ROA of the Leather Retail Business are grouped together to constitute a cash generating unit (the "**Retail CGU**") for the purpose of the impairment assessment.

For the year ended 31 December 2023, the value in use (the "**2023 Retail Valuation**") of the Retail CGU as at 31 December 2023 has been determined by the management by using the discounted cash flow projections for a period covered from 2024 to 2025. There is no change in valuation method in the 2023 Retail Valuation as prior year. The key assumptions used in the 2023 Retail Valuation included growth rate of 10%, gross profit margin of 40% and discount rate of 13%. Based on the 2023 Retail Valuation, impairment loss on the Retail ROA of approximately HK$896,000, was recognised in the consolidated statement of profit or loss for the year ended 31 December 2023; and no further impairment on the Retail PPE is considered necessary as they have been fully impaired in prior year.

Leather Manufacturing Business

As at 31 December 2023, the Directors considered that there were impairment indicators on the property, plant and equipment (the "**Manufacturing PPE**") and the ROA (the "**Manufacturing ROA**") of the Leather Manufacturing Business because of the substantial loss incurred for the year ended 31 December 2023. The relevant items of the Manufacturing PPE and Manufacturing ROA of the Leather Manufacturing Business are grouped together to constitute a cash generating unit (the "**Manufacturing CGU**") for the purpose of the impairment assessment.

The Directors engaged an independent valuer (the "**Valuer**") with recognised qualifications and experiences to determine the value in use of the Manufacturing CGU as at 31 December 2023.

For the year ended 31 December 2023, the value in use (the "**2023 Manufacturing Valuation**") of the Manufacturing CGU has been determined by using the discounted cash flow projections for a period covering from 2024 to 2025. There is no change in valuation method in the 2023 Manufacturing valuation as prior year. The key assumptions used in the 2023 Manufacturing Valuation include growth rate of 8%, gross profit margin of 24% to 25% and discount rate of 13%. Based on the 2023 Manufacturing Valuation, impairment losses on the Manufacturing PPE and the Manufacturing ROA of approximately HK$2,964,000 and HK$4,302,000, respectively, as at 31 December 2023 are considered necessary.

The growth rates and gross profit margin within the forecast periods are estimated by the Directors after having taken into consideration of the respective past performance of the Retail CGU and the Manufacturing CGU, industry growth forecasts and future business plan of the Group.

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**6,699**	9,131
Less: Impairment loss	**(1,171)**	(1,188)
Net carrying amounts	**5,528**	7,943

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 Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023	2022
	HK$'000	*HK$'000*
Less than 30 days	**3,288**	3,833
31 to 60 days	**2,121**	2,317
61 to 90 days	**110**	1,631
91 to 120 days	**9**	20
121 to 365 days	**–**	142
Over 365 days	**–**	–
	5,528	7,943

11. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
Less than 30 days	**909**	2,697
31 to 60 days	**1,164**	2,045
61 to 90 days	**394**	1,244
91 to 120 days	**189**	654
121 to 365 days	**74**	22
Over 365 days	**370**	370
	3,100	7,032

12. OTHER PAYABLES AND ACCRUALS

	2023	2022
	HK$'000	*HK$'000*
Other payables	**4,561**	3,469
Accrued expenses	**5,655**	4,452
Due to the former fellow subsidiaries	**8,171**	8,171
Due to the former intermediate holding company	**5,590**	5,590
	23,977	21,682

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

13. DUE TO THE ULTIMATE CONTROLLING SHAREHOLDER AND A RELATED COMPANY

The amount due to the ultimate controlling shareholder, namely Mr. Zhao, amounting to HK$10,897,000 (2022: HK$9,135,000), is unsecured, interest-free and has no fixed terms of repayment. In addition, Mr. Zhao has agreed not to 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 approximately HK$1,654,000 (2022: HK$1,702,000), 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 has no fixed terms of repayment. In addition, Mr. Qin has agreed not to demand for repayment of the loan until the Group is in a position to do so.

15. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER

	2023	2022
	HK$'000	*HK$'000*
Balance as at 1 January	**19,002**	9,968
New loan agreements entered:		
Principal amounts	**–**	11,544
Notional interest saving arising from the interest-free loans	**–**	(2,058)
Extension agreements for existing loans entered:		
Notional interest saving arising from the interest-free loans	**(1,412)**	(1,070)
	17,590	18,384
Imputed interest charged	**2,101**	1,221
Exchange realignment	**(174)**	(603)
Balance as at 31 December	**19,517**	19,002
Less: Current portion	**(15,604)**	(4,863)
Non-current portion	**3,913**	14,139

Mr. Zhao, the ultimate controlling shareholder, has granted certain interest-free loans to the Group with aggregate principal amounts of RMB7,010,000 (the "**RMB Loans**"), HK$2,226,000 (the "**HK$ Loans**") and US$1,480,000 (the "**US$ Loans**") (equivalent to approximately HK$21,454,000 in aggregate, collectively the "**Shareholder Loans**") as at 31 December 2023.

The HK$ Loans and the US$ Loans are repayable in 2024 and were accounted for at amortised cost, using an effective interest rate of 8% and 10%, respectively.

Among the RMB Loans, an interest-free loan with an outstanding principal amount of RMB2,510,000 (equivalent to approximately HK$2,751,000) is repayable on June 2024 and was accounted for at amortised cost, using an effective interest rate of 14%. The remaining RMB Loans with aggregate outstanding principal amounts of RMB4,500,000 (equivalent to approximately HK$4,932,000) are repayable in 2025 and were accounted for at amortised cost, using effective interest rates from 16% to 17%.

Subsequent to the end of the reporting period on 10 January 2024 and 25 March 2024, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the HK$ Loans, US$ Loans and RMB Loan maturing in 2024 for additional two years. In addition, Mr. Zhao has confirmed that he will not demand for repayment of the Shareholder Loans until the Group is in a position to do so.

16. RIGHT-OF-USE ASSETS

During the year ended 31 December 2023, the Group entered into certain lease agreements to extend the lease of the existing retail shop and leather workshop and lease of a parcel of farmland used in the Industrial Hemp Planting Business for terms ranging from 1 year to 2 years (2022: certain 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). 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$896,000 (2022: HK$3,255,000), were initially recognised during the year ended 31 December 2023.

As detailed in note 9 to this announcement, the Group performed impairment assessments on the right-of-use assets of the manufacturing plant and office premises (i.e. the Manufacturing ROA) and the retail shops and office premises (i.e. the Retail ROA) respectively as the Directors considered that there were impairment indicators resulted by the substantial loss incurred by the Leather Manufacturing Business and the Leather Retail Business. Aggregated impairment losses for the Leather Manufacturing Business and the Leather Retail Business of approximately HK$4,302,000 and approximately HK$896,000 was recognised in the consolidated statement of profit or loss, respectively, for the year ended 31 December 2023 and no write back of previously impaired Retail ROA was considered necessary for the year ended 31 December 2023.

In addition, the Directors further performed an impairment assessment on the right-of-use assets (the "**Corporate ROA**") which were used by the Group as corporate head office because of the existence of impairment indicator resulted from the substantial loss incurred by the Group during the year ended 31 December 2023.

The recoverable amount of the Corporate ROA was determined with reference to the value in use calculation, using the discounted cash flows projections from the latest financial budgets covering the lease term for the year ended 31 December 2023. The key assumptions used in the value in use calculation included discount rate of 12%. Based on the assessment, the recoverable amount of the Corporate ROA was estimated to be zero. Therefore, no write back of impairment loss on the previous fully impaired Corporate ROA was considered necessary for the year ended 31 December 2023.

As at 31 December 2023, the Group has operating lease commitments of approximately HK$675,000 (2022: HK$576,000) relating to short-term leases for retail shop.

17. SHARE CAPITAL

Authorised and issued share capital

	2023	2022
	HK$'000	*HK$'000*
Authorised (2,000,000,000 ordinary shares of HK$0.01 each)	**20,000**	20,000
Issued and fully paid:		
412,704,000 (2022: 382,704,000) ordinary shares of HK$0.01 each	**4,127**	3,827

A summary of movements in Company's share capital is as follows:

	Number of shares in issue*	**Share capital**
At 1 January 2022, 31 December 2022 and 1 January 2023	382,704,000	3,827
Shares issued during the year#	30,000,000	300
At 31 December 2023	412,704,000	4,127

* ordinary shares of HK$0.01 each

On 6 November 2023, 30,000,000 ordinary shares were issued for cash at a subscription price of HK$0.45 per share for a total cash consideration, before share issuing expenses, of HK$13,500,000 in which, as to HK$13,200,000 was recognised as share premium during the year ended 31 December 2023. The related share issuing expenses of approximately HK$489,000 were reduced from the share premium.

18. EVENT AFTER THE REPORTING PERIOD

Apart from the External Financing Facility and certain supplemental agreements entered into between the Group and Mr. Zhao as disclosed in note 2.1 to this announcement, 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 CACHET")

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 2023 as set out in the Annual Results Announcement have been agreed by the Group's independent auditor, Ascenda Cachet CPA Limited ("**Ascenda Cachet**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ascenda Cachet 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 RELATED TO GOING CONCERN

In forming our opinion, we 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 our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that (i) the Group incurred a substantial loss of approximately HK$27,909,000 for the year and had net current liabilities and deficiency in assets of approximately HK$53,131,000 and HK$59,325,000, respectively, as at 31 December 2023; and (ii) the Group had cash and cash equivalents of approximately HK$997,000 only to meet its financial obligations as at 31 December 2023. 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 (the "**Directors**") of the Company 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 of the Company, pursuant to which Mr. Qin agreed not to demand for repayment of the loan with principal amount of HK$8,000,000 as at 31 December 2023 until the Company is in a position to do so. The loan due to 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 facility agreement on 28 August 2021, pursuant to which, Mr. Qin further granted an unsecured interest-free loan facility up to HK$30,000,000 (the "**Director Facility**") to the Company for a term of two years. The expiry date of the Director Facility has been extended with a latest expiry date on 27 August 2025. As at 31 December 2023 and the date of approving the consolidated financial statements, none of the Director Facility has been utilised.

(iii) Mr. Zhao Jingfei ("**Mr. Zhao**"), an executive Director, the chairman and the ultimate controlling shareholder of the Company, had provided certain loans to the Group with aggregate principal amounts of RMB7,010,000, HK$2,226,000 and US$1,480,000 (equivalent to approximately HK$21,454,000 in aggregate, collectively the "**Shareholder Loans**") as at 31 December 2023, out of which, aggregate outstanding loan principal amounts of RMB2,510,000, HK$2,226,000 and US$1,480,000 (equivalent to approximately HK$16,521,000 in aggregate) are repayable in 2024 (the "**2024 Due Loans**") while the remaining loans of RMB4,500,000 (equivalent to approximately HK$4,933,000) are due in 2025. Subsequent to the end of the reporting period on 10 January 2024 and 25 March 2024, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2024 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. The expiry date of the Shareholder Facility has been extended with a latest expiry date on 27 May 2026. As at 31 December 2023 and the date of approving the consolidated financial statements, none of the Shareholder Facility has been utilised.

(v) 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$10,897,000 as at 31 December 2023 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 2023.

(vi) Further to the external financing facility obtained by the Company from an independent third party on 30 March 2023 for a loan facility up to HK$30,000,000 which will be expired on 30 May 2024, the Company entered into a loan facility agreement with another independent third party (the "**Lender**") subsequent to the end of the reporting period on 26 March 2024 (the "**Facility Commencement Date**"), pursuant to which, the Lender granted a loan facility up to HK$40,000,000 (the "**External Financing Facility**") to the Company for a period from the Facility Commencement Date to 1 July 2025 (the "**Initial Expiry Date**"), extendable from the Initial Expiry Date to 1 July 2026) by a written notice given not less than 2 months before the Initial Expiry Date of 1 July 2025. Any amounts drawn down 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, none of the External Financing Facility has been utilised.

(vii) Building on the past fund raising experience and connection, the Group will actively seek for alternative funding sources on an ongoing basis. In addition, the Group remains committed to implement stringent cost management measures as a continuous effort to optimise operational efficiency and minimise the cash outflow of non-essential items.

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financing to the Group under the Director Facility and the Shareholder Facility, 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 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. We consider that the fundamental uncertainty has been properly disclosed in the consolidated financial statements. Our 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$30,298,000 for the year ended 31 December 2023 (2022: approximately HK$56,042,000), representing a decrease of 45.9% or approximately HK$25,744,000 as compared with the year ended 31 December 2022. Revenue contributed from the Leather Manufacturing Business and Leather Retail Business (excluding inter-segment revenue) was approximately HK$29,547,000 (2022: approximately HK$54,542,000) and approximately HK$751,000 (2022: approximately HK$1,500,000), respectively for the year ended 31 December 2023. Gross profit was approximately HK$5,681,000 (2022: approximately HK$10,261,000) for the year ended 31 December 2023. There was a slightly increase in gross profit margin from approximately 18.3% for the year ended 31 December 2022 to approximately 18.8% for the year ended 31 December 2023. The decreased revenue was primarily attributable to significant decrease in the revenue of the Leather Manufacturing Business which in turn is primarily due to the decrease in sales orders from branded customers. This was affected by several global economic factors, including (i) the economic recovery was not as robust as expected; (ii) persistent trade tensions between the Chinese Mainland and the United States of America (the "**United States**") over the past few years; (iii) ongoing military conflicts in Ukraine and the Middle East; and (iv) high interest rates and inflation rates posed obstacles to the normalization and recovery of the global economy. Performance of the Group's business is covered in more details, under the "Business Review" section below.

Other income decreased by 73.5% from approximately HK$675,000 for the year ended 31 December 2022 to approximately HK$179,000 for the year ended 31 December 2023. The decrease was mainly attributable to the absence of rental concessions in response to the outbreak of coronavirus disease ("**COVID-19**") received from landlords for the year ended 31 December 2023 (2022: approximately HK$135,000) and the foreign exchanges gains decreased from approximately HK$356,000 for the year ended 31 December 2022 to approximately HK$23,000 for the year ended 31 December 2023.

Other losses increased from approximately HK$1,822,000 for the year ended 31 December 2022 to approximately HK$8,162,000 for the year ended 31 December 2023. The change was mainly due to (i) the impairment loss on right-of-use assets of approximately HK$5,198,000 (2022: approximately HK$1,822,000) during the year ended 31 December 2023; and (ii) the impairment loss on property, plant and equipment of approximately HK$2,964,000 (2022: nil) during the year ended 31 December 2023.

Selling and distribution costs decreased significantly by approximately HK$2,645,000 to approximately HK$3,002,000 for the year ended 31 December 2023 (2022: approximately HK$5,647,000). The decrease was basically in line with the decrease in revenue.

Administrative and other operating expenses slightly decreased by approximately HK$568,000 to approximately HK$19,359,000 (2022: approximately HK$19,927,000) for the year ended 31 December 2023. 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.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$27,909,000 (2022: approximately HK$18,936,000) for the year ended 31 December 2023. Loss per share for the year ended 31 December 2023 was HK7.2 cents (2022: HK4.9 cents).

BUSINESS REVIEW

For the year ended 31 December 2023, the Leather Manufacturing Business and the Leather Retail Business accounted for approximately 97.5% (2022: approximately 97.3%) and approximately 2.5% (2022: approximately 2.7%) of the Group's total revenue, respectively.

Leather Manufacturing Business

For the year ended 31 December 2023, revenue of the Leather Manufacturing Business from external customers was approximately HK$29,547,000, representing a decrease of approximately 45.8% in comparison with approximately HK$54,542,000 for the year ended 31 December 2022. The decrease was mainly due to (i) consumers were scaling back on retail spending and discretionary consumption because of high inflation rate; (ii) high inflation and weak demand have resulted in a decrease in retailers' sales volume. The continuous decline in sales had prompted retailers to maintain a prudent and conservative attitude towards retail business, which had a negative impact on the Leather Manufacturing Business of the Group, and orders are not as expected, especially the demand for orders from the United States and Europe, which had decreased significantly; and (iii) the leatherware industry has been changed by multiple factors, including demographic trends, consumption behavior and preferences.

Revenue analysis by geographic location:

	For the year ended 31 December			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Hong Kong	**5,371**	**18.2**	6,597	12.1
The United States	**12,551**	**42.5**	32,655	59.9
Europe	**5,854**	**19.8**	9,852	18.1
The Chinese Mainland	**1,058**	**3.6**	571	1.0
Other countries	**4,713**	**15.9**	4,867	8.9
	29,547	**100.0**	54,542	100.0

Revenue analysis by product category:

	For the year ended 31 December			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Belts	**27,968**	**94.7**	52,347	96.0
Leather goods and other accessories	**1,579**	**5.3**	2,195	4.0
	29,547	**100.0**	54,542	100.0

Leather Retail Business

For the Leather Retail Business, owing to the adverse retail environment of Hong Kong largely due to the keen competition from rivals and online sales, the Group recorded revenue of approximately HK$751,000 (2022: approximately HK$1,500,000) from Hong Kong for the year ended 31 December 2023, representing an approximately 49.9% decrease in comparison with that for the year ended 31 December 2022. Gross profit margin of the Leather Retail Business for the year ended 31 December 2023 increased to approximately 76.8%, as compared to approximately 28.5% for the year ended 31 December 2022. The main reason was due to the write-down of the slow-moving inventories for the year ended 31 December 2022.

The Leather Retail Business resulted in a loss of approximately HK$2,857,000 for the year ended 31 December 2023 as compared to approximately HK$3,655,000 for the year ended 31 December 2022. The Group maintained one (2022: one) AREA 0264 store and one (2022: one) Teepee Leather workshop in Hong Kong as at 31 December 2023.

PROSPECTS

The current complex geopolitical and macroeconomic environment, high inflation, high interest rates, the prolonged Russia-Ukraine conflict, and the recent intensification of the Palestinian-Israeli conflict will continue to have an adverse impact on the business and households in a longer time. Coupled with the economic recovery was not as robust as expected, the prospects for export growth to the United States and Europe markets are bleak in the short term. Therefore, it is expected that the market demand for leather and accessories products will fluctuate greatly in the near future.

While we expect it will still take some time for the Group's business to return to pre-pandemic levels, we remain positive on the outlook. In order to better cope with recent challenges and strive to restore profitability, the Group is committed to expanding its existing customer base through business development and expanding its revenue sources other than belts into leather products and other accessories. The Group is currently undertaking cooperation discussion with at least several new potential customers which are mainly famous fashion apparel brands in the United States, the Europe and Asia. The Group is negotiating cooperation terms with the new potential customers and has completed sample confirmation of leather products and other accessories with orders placed from new customers. Thus, while maintaining its existing customer base, the Group expects to witness an increase in customer orders during the year ending 31 December 2024. With the success in the negotiation with the new potential customers from different regions and expand revenue from non-belt products, the Group is likely to record certain growth in revenue for the year ending 31 December 2024 as compared with that for the year ended 31 December 2023.

We will also focus on strict and effective cost control measures and continue to optimize operations and financial management. In the long run, we will further strengthen our business foundation, core capabilities and financial position to seize opportunities. The Group will pay close attention to economic conditions and market trends and may adjust the above measures accordingly.

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). The Group is still in a preliminary development stage but is committed to experimental cultivation of industrial hemp. The Group looks forward to 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 helping 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 2023, the Group's cash and bank deposits were approximately HK$997,000 as compared to approximately HK$2,495,000 as at 31 December 2022.

The Group recorded total current assets of approximately HK$13,252,000 as at 31 December 2023 (31 December 2022: approximately HK$17,831,000) and total current liabilities of approximately HK$66,383,000 (31 December 2022: approximately HK$56,740,000) as at 31 December 2023. The decrease in total current assets was mainly due to the decrease in inventories, trade receivables and bank balances. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.20 times (31 December 2022: approximately 0.31 times) as at 31 December 2023.

As at 31 December 2023, the Group had total assets amounting to approximately HK$14,033,000 (31 December 2022: approximately HK$30,582,000) and total liabilities of approximately HK$73,358,000 (31 December 2022: approximately HK$76,598,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 522.8% (31 December 2022: approximately 250.5%) as at 31 December 2023.

The drop in current ratio and the increase in gearing ratio was mainly due to the losses incurred and the increase in advances and loans from the ultimate controlling shareholder provided during the year for supporting the Group's operating needs during the year ended 31 December 2023.

The Group recorded deficiency in assets of approximately HK$59,325,000 (31 December 2022: HK$46,016,000) as at 31 December 2023, which was mainly attributable to the operating loss and the impairment losses of the year.

As detailed in note 2.1 to this announcement, 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 2023.

Inventories and trade receivables

The Group recorded total inventories of approximately HK$4,594,000 (31 December 2022: approximately HK$5,718,000) as at 31 December 2023 and the inventory turnover days increased to 68 days as at 31 December 2023 from 46 days as at 31 December 2022. The Group had trade receivables of approximately HK$5,528,000 (31 December 2022: approximately HK$7,943,000) as at 31 December 2023 and the debtor turnover days increased from 52 days to 67 days.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 October 2023 (after trading hours), the Company and VC Brokerage Limited (the "**Placing Agent**") (as placing agent) entered into a placing agreement (the "**Placing Agreement**") in relation to the placing of up to 30,000,000 new ordinary Shares of the Company (the "**Placing Share(s)**") to not less than six places, who and whose ultimate beneficial owners shall be independent third parties, at the placing price (the "**Placing Price**") of HK$0.45 per Placing Share (the "**Placing**"). The net issue price per Placing Share (after deduction of the placing commission, professional fees and all related expenses) is approximately HK$0.44 per Placing Share.

The Placing was completed on 6 November 2023, where a total of 30,000,000 Placing Shares, representing approximately 7.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares after the completion of the Placing, have been successfully placed to not less than six placees at the Placing Price of HK$0.45 per Placing Share. The Placing Shares were allotted and issued under the general mandate granted by the Shareholders at the annual general meeting of the Company held on 8 June 2023. For details, please refer to the announcements of the Company dated 13 October 2023 and 6 November 2023.

The gross proceeds from the Placing was approximately HK$13.5 million, and the actual net proceeds, after deducting the placing commission, professional fees and all related expenses which were borne by the Company, were approximately HK$13.0 million (the "**Placing Net Proceeds**") which are slightly lower than the estimated net proceeds of approximately HK$13.2 million as disclosed in the announcement of the Company dated 6 November 2023. Having considered that Mr. Zhao and Mr. Qin agreed not to demand for the repayment of the loans provided by them, the Company has allocated (i) approximately HK$0.1 million for expansion of production capacity; (ii) approximately HK$0.3 million for strengthening research and development capabilities; and (iii) approximately HK$12.6 million for provision of general working capital and strengthening the financial position of the Group. Up to 31 December 2023, the Placing Net Proceeds have been fully utilised.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at and during the year ended 31 December 2023 (2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

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 2023, the Group did not have any charges on assets (2022: Nil).

Other than the operating lease commitments related to short-term leases for a retail shop of approximately HK$675,000 (31 December 2022: HK$576,000), the Group had no significant commitments and contingent liabilities as at 31 December 2023.

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 this announcement, there was no material event occurring subsequent to 31 December 2023.

HUMAN RESOURCES

As at 31 December 2023, the Group employed 126 (31 December 2022: 142) 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 2023 (2022: 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 C1 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 2023 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 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 C3 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 2023.

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 2023.

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 2023.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 is likely to compete, either directly or indirectly, with the businesses of the Group, during the year ended 31 December 2023 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 2023. 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 2023 containing all the information required by 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, banks and business partners for their ongoing support.

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

Hong Kong, 28 March 2024

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.

* *For identification purposes only*