



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: 0264

Interim Report
2024



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhao Jingfei (*Chairman*)
Mr. Fan Xin (*Chief Executive Officer*)
Mr. Qin Bohan
Mr. Leung Wai Kit
(appointed on 5 July 2024)

Independent Non-executive Directors

Ms. Han Yu
Ms. Jia Lixin
Mr. Rong Yi

COMPANY SECRETARY

Mr. Chan Tsang Mo

AUDIT COMMITTEE

Ms. Han Yu (*Committee Chairlady*)
Ms. Jia Lixin
Mr. Rong Yi

NOMINATION COMMITTEE

Mr. Zhao Jingfei
(*Committee Chairman*)
Ms. Han Yu
Ms. Jia Lixin
Mr. Rong Yi

REMUNERATION COMMITTEE

Mr. Rong Yi (*Committee Chairman*)
Mr. Fan Xin
Ms. Han Yu
Ms. Jia Lixin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 26
39 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.
Hong Kong Branch
Nanyang Commercial Bank Limited
Bank of China (Hong Kong) Limited

AUDITOR

Ascenda Cachet CPA Limited
Certified Public Accountants

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

LEGAL ADVISER ON HONG KONG LAW

Li & Partners

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D, P.O. Box 1586
Gardenia Court, Camana Bay
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Tricor Investor Service Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.irasia.com/listco/hk/cidc/index.htm

STOCK CODE

264

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited

Operating results

Revenue (HK\$'000)	8,651	16,914
Gross profit (HK\$'000)	2,051	4,856
Gross profit margin (%)	23.7	28.7
Loss before tax (HK\$'000)	(9,549)	(8,175)
Loss for the period (HK\$'000)	(9,549)	(8,443)
Basic loss per share (HK cents)	(2.30)	(2.20)

	As at	As at
	30 June	31 December
	2024	2023
	Unaudited	Audited

Total assets (HK\$'000)	7,386	14,033
Deficiency in assets attributable to equity shareholders of the Company (HK\$'000)	(67,452)	(59,325)

Business performance ratios

Current ratio (times)	0.12	0.20
Quick ratio (times)	0.07	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Revenue	5	8,651	16,914
Cost of sales		(6,600)	(12,058)
Gross profit		2,051	4,856
Other income		10	34
Other losses	6	(1,224)	(896)
Selling and distribution costs		(887)	(1,032)
Administrative and other operating expenses		(8,001)	(9,710)
(Impairment)/Reversal of impairment on trade receivables	14	(33)	41
Finance costs	7	(1,465)	(1,468)
Loss before tax	8	(9,549)	(8,175)
Income tax expense	9	-	(268)
Loss for the period attributable to owners of the Company		(9,549)	(8,443)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
– Exchange differences arising on translation of operations outside Hong Kong		113	278
Other comprehensive income for the period		113	278
Total comprehensive income for the period attributable to owners of the Company		(9,436)	(8,165)
Loss per share attributable to owners of the Company			
– Basic and diluted	11	HK(2.30) cents	HK(2.20) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	–	–
Right-of-use assets	13	–	–
Deposits paid		642	781
Total non-current assets		642	781
Current assets			
Inventories		2,886	4,594
Trade receivables	14	1,485	5,528
Prepayments, deposits and other receivables		1,519	2,133
Cash and cash equivalents		854	997
Total current assets		6,744	13,252
Current liabilities			
Trade payables	15	2,514	3,100
Other payables and accruals		24,535	23,977
Due to ultimate controlling shareholder	16	12,844	10,897
Due to a related company	16	1,615	1,654
Loan from a director	17	8,000	8,000
Loans from ultimate controlling shareholder	18	4,146	15,604
Lease liabilities	13	4,075	3,151
Total current liabilities		57,729	66,383

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
	<i>Notes</i>		
Net current liabilities		(50,985)	(53,131)
Total assets less current liabilities		(50,343)	(52,350)
Non-current liabilities			
Loans from ultimate controlling shareholder	18	15,074	3,913
Lease liabilities	13	2,035	3,062
Total non-current liabilities		17,109	6,975
Net liabilities		(67,452)	(59,325)
Deficiency in assets			
Share capital	19	4,127	4,127
Reserves		(71,579)	(63,452)
Total deficiency in assets		(67,452)	(59,325)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital	Share premium	Capital reserve	Translation reserve	Statutory and discretionary reserve	Accumulated losses	Total
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
At 1 January 2023	3,827	77,760	4,525	3,181	5,249	(140,558)	(46,016)
Loss for the period	-	-	-	-	-	(8,443)	(8,443)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	278	-	-	278
Total comprehensive income for the period	-	-	-	278	-	(8,443)	(8,165)
Notional interest of existing interest-free loans extension provided by ultimate controlling shareholder	-	-	1,412	-	-	-	1,412
At 30 June 2023	3,827	77,760	5,937	3,459	5,249	(149,001)	(52,769)
At 1 January 2024	4,127	90,471	5,937	3,358	5,249	(168,467)	(59,325)
Loss for the period	-	-	-	-	-	(9,549)	(9,549)
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	113	-	-	113
Total comprehensive income for the period	-	-	-	113	-	(9,549)	(9,436)
Notional interest of existing interest-free loans extension provided by ultimate controlling shareholder (note 18)	-	-	1,309	-	-	-	1,309
At 30 June 2024	4,127	90,471	7,246	3,471	5,249	(178,016)	(67,452)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(290)	2,115
Net cash from investing activities	1	7
Net cash from/(used in) financing activities	334	(3,083)
Net increase/(decrease) in cash and cash equivalents	45	(961)
Cash and cash equivalents at the beginning of the period	997	2,495
Effect of foreign exchange rate changes on cash and cash equivalents	(188)	62
Cash and cash equivalents at the end of the period	854	1,596

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Companies Law 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 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) industrial hemp planting and production of hemp fabric products (the “**Industrial Hemp Planting Business**”). There was no significant change in the nature of the Group’s principal activities during the interim period.

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

The unaudited interim condensed consolidated financial statements (the “**Interim Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated. The Interim Financial Statements, which have not been audited, have been approved and authorised for issue by the board (the “**Board**”) of Directors on 30 August 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

(a) Statement of compliance

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Interim Financial Statements contain interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2023 (the “**2023 Annual Financial Statements**”). The Interim Financial Statements and notes thereon do not include all the information and disclosures required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and should be read in conjunction with the 2023 Annual Financial Statements.

(b) Basis of measurement

These Interim Financial Statements have been prepared on the historical cost convention.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis

The Group (i) incurred a loss of approximately HK\$9,549,000 for the six months ended 30 June 2024 and had net current liabilities and deficiency in assets of approximately HK\$50,985,000 and HK\$67,452,000, respectively, as at 30 June 2024; and (ii) only had cash and cash equivalents of approximately HK\$854,000 as at 30 June 2024 to meet its financial obligations as at that date. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, 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 30 June 2024 after taking into account of the following measures (the “**Measures**”):

- (i) the Company has obtained a letter of undertaking from Mr. Qin Bohan (“**Mr. Qin**”), an executive Director, pursuant to which Mr. Qin agreed not to demand repayment of the loan from him with a principal amount of HK\$8,000,000 as at 30 June 2024 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 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. None of the Director Facility has been utilised as at 30 June 2024 and the date of approving these Interim Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis *(Continued)*

- (iii) Mr. Zhao 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\$21,271,000 in aggregate, the **“Shareholder Loans”**) as at 30 June 2024, 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\$16,456,000 in aggregate) have been extended to be repayable in 2026 while the remaining loans with aggregate outstanding principal amounts of RMB4,500,000 (equivalent to approximately HK\$4,815,000) are due in 2025.
- (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 of 27 May 2026. None of the Shareholder Facility has been utilised as at 30 June 2024 and the date of approving these Interim Financial Statements.
- (v) the Company has obtained a letter of financial support from Mr. Zhao, pursuant to which, Mr. Zhao agreed not to demand repayment of (a) the Shareholder Loans; and (b) other amount due to him of approximately HK\$12,844,000 as at 30 June 2024 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 12 months from 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Going concern basis *(Continued)*

(vi) the Company has entered into a loan facility agreement with an independent third party (the “**Lender**”) 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 are unsecured. None of the External Financing Facility has been utilised as at 30 June 2024 and the date of approving these Interim Financial Statements.

(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.

(viii) as announced on 3 June 2024, the Group has formulated certain business strategies and plans in order to improve the Group’s principal business and thus its financial performance. The Board considers that the business strategies and plans, if materialised, could improve the Group’s revenue performance and financial position.

These Interim 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 their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2023 Annual Financial Statements, except for the revised HKFRSs that are required to be adopted in the consolidated financial statements for the year ending 31 December 2024. Details of these revised HKFRSs are set out below.

3.1 New and amended standards adopted by the Group

The Group has adopted the following revised HKFRSs for the first time for these Interim Financial Statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of and Liabilities as Current or Non-current*</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants*</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

* As a consequence of amendments to HKAS 1 issued in August 2020 and December 2022, 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 without change in conclusion.

The application of the amendments in the current period had no significant impact on the Interim Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2024 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 18	Presentation and Disclosure in Financial Statements*	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instrument	1 January 2026
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

* As a consequence of issuance of HKFRS 18 in July 2024, 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 reflect the requirements in HKFRS 18.

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their applications are not expected to have a material impact on the financial performance and the financial position of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. ESTIMATES

The preparation of the Interim Financial Statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2023 Annual Financial Statements.

5. REVENUE AND 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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 reportable 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 decision 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Leather Manufacturing Business		Leather Retail Business		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2024	2023	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	8,353	16,473	298	441	8,651	16,914
Inter-segment revenue	-	82	-	-	-	82
Reportable segment revenue <i>(Note (i))</i>	8,353	16,555	298	441	8,651	16,996
Reportable segment loss	(4,869)	(3,514)	(561)	(1,373)	(5,430)	(4,887)
Interest income					1	1
Unallocated corporate expenses <i>(Note (ii))</i>					(4,120)	(3,289)
Loss before tax					(9,549)	(8,175)
Income tax expense					-	(268)
Loss for the period					(9,549)	(8,443)

Notes:

- (i) Revenue from the Leather Manufacturing Business and the Leather Retail Business is recognised at a point in time when the control of the products has been passed to customers.
- (ii) 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Leather Manufacturing		Leather Retail Business		Total	
	Business					
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2024	2023	2024	2023	2024	2023
Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	52,013	57,278	978	876	52,991	58,154
Elimination of inter-segment and head office's receivables					(46,063)	(44,866)
Unallocated corporate assets					458	745
Consolidated total assets					7,386	14,033
Reportable segment liabilities	24,361	27,363	49,940	49,290	74,301	76,653
Elimination of inter-segment and head office's payables					(58,436)	(59,640)
Unallocated corporate liabilities					58,973	56,345
Consolidated total liabilities					74,838	73,358

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER LOSSES

	Six months ended 30 June	
	2024	2023
	Unaudited HK\$'000	Unaudited HK\$'000
Impairment loss on right-of-use assets	1,224	896

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	Unaudited HK\$'000	Unaudited HK\$'000
Interest on lease liabilities	295	455
Imputed interest on loans from ultimate controlling shareholder (<i>note 18</i>)	1,170	1,013
	1,465	1,468

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	Unaudited HK\$'000	Unaudited HK\$'000
Cost of inventories recognised as expenses	6,600	12,058
Depreciation of property, plant and equipment (<i>note (i)</i>)	–	492
Depreciation of right-of-use assets (<i>note (i)</i>)	111	1,393
Foreign exchange losses, net	1	233
Expenses relating to short-term leases	–	42
Employee costs (excluding Directors' emoluments) (<i>note (i)</i>)	5,973	8,337
Impairment/(Reversal of impairment) on trade receivables	33	(41)
Provision for onerous short-term lease contract (<i>note 13</i>)	1,080	–
Interest income	(1)	(1)

Note:

- (i) Cost of inventories recognised as expenses included approximately HK\$2,221,000 (six months ended 30 June 2023: approximately HK\$4,025,000) for the six months ended 30 June 2024 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

Under the Hong Kong two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of one subsidiary of the Group, which is a qualifying group entity operating in Hong Kong, is taxed at 8.25%, and its remaining assessable profits is taxed at 16.5% during the six months ended 30 June 2024 and 2023. Other group entities operating in Hong Kong are taxed at 16.5%.

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax (“**CIT**”) rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the six months ended 30 June 2024 and 2023.

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 for both periods. The provision for CIT in the PRC represents the underprovision of CIT in respect of prior years during the six months ended 30 June 2023 (six months ended 30 June 2024: Nil).

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the Group’s loss for the period of HK\$9,549,000 (six months ended 30 June 2023: HK\$8,443,000) attributable to the owners of the Company and the weighted average number of 412,704,000 (six months ended 30 June 2023: 382,704,000) ordinary shares in issue during the six months ended 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS PER SHARE *(Continued)*

For the six months ended 30 June 2024 and 2023, no adjustment has been made to the basic loss per share amounts for the respective periods in respect of a dilution as there is no potential dilutive ordinary share in issue for the six months ended 30 June 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

No addition to property, plant and equipment was recorded for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$5,000). No disposal of property, plant and equipment was recorded for the six months ended 30 June 2024. For six months ended 30 June 2023, assets with net book value of approximately HK\$11,000 were disposed by the Group, with no net gain or loss on disposal was resulted.

Leather Retail Business

As at 30 June 2024, the Directors considered that there were impairment indicators on the property, plant and equipment (including leasehold improvements) (the “**Retail PPE**”) and right-of-use assets (note 13) (the “**Retail ROA**”) because of the substantial loss incurred by its Leather Retail Business during the six months ended 30 June 2024. 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. The Directors assessed the recoverable amounts of the Retail CGU, which were the higher of the value in use (“**VIU**”) and the fair value less costs of disposal (“**FVLCS**”). Since the Directors are of the opinion that the Retail PPE and the Retail ROA have minimal resell value and the FVLCS is considered as zero, the recoverable amount of the Retail CGU is determined based on the VIU. The VIU (the “**2024 Retail Valuation**”) of the Retail CGU as at 30 June 2024 has been determined by the Directors by using the discounted cashflow projection for a period covering from 2024 to 2025. There was no change in valuation method in the 2024 Retail Valuation as compared with prior year. The discount rate used in 2024 Retail Valuation was 13%, which is the weighted average cost of capital derived from market data.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leather Retail Business *(Continued)*

Based on the 2024 Retail Valuation, the recoverable amounts of the Retail PPE and Retail ROA were estimated to be zero. No write back of impairment loss on the fully impaired Retail PPE (six months ended 30 June 2023: Nil) was considered necessary for the six months ended 30 June 2024.

Leather Manufacturing Business

As at 30 June 2024, the Directors considered that there were impairment indicators on certain of the property, plant and equipment (including leasehold improvements) (the “**Manufacturing PPE**”) and right-of-use assets (note 13) (the “**Manufacturing ROA**”) because of the substantial loss incurred by its Leather Manufacturing Business during the six months ended 30 June 2024. Accordingly, 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 assessed the recoverable amounts of the Manufacturing CGU, which were the higher of the value in use (“**VIU**”) and the fair value less costs of disposal (“**FVLCS**”). Since the Directors are of the opinion that the Manufacturing PPE and the Manufacturing ROA have minimal resell value and the FVLCS is considered as zero, the recoverable amount of the Manufacturing CGU is determined based on the VIU. The VIU (the “**2024 Manufacturing Valuation**”) of the Manufacturing CGU as at 30 June 2024 has been determined by the Directors by using the discounted cashflow projection for a period covering from 2024 to 2026. There was no change in valuation method in the 2024 Manufacturing Valuation as compared with prior year. The discount rate used in 2024 Manufacturing Valuation was 13%, which is the weighted average cost of capital derived from market data.

Based on the 2024 Manufacturing Valuation, the recoverable amounts of the Manufacturing PPE and Manufacturing ROA were estimated to be zero. No write back of impairment loss on the fully impaired Manufacturing PPE (six months ended 30 June 2023: Nil) was considered necessary for the six months ended 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES

During the six months ended 30 June 2024, the Group entered into a lease agreement to extend the lease of the existing office premises of the Leather Manufacturing Business for a further term of 2 years (six months ended 30 June 2023: a lease agreement for extension of existing leather workshop for a term of 2 years). Right-of-use assets and lease liabilities amounting to approximately HK\$1,335,000 were initially recognised during the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$896,000).

(a) Right-of-use assets

As detailed in note 12 to the Interim Financial Statements, the Group performed an impairment assessment on the Retail ROA and the Manufacturing ROA. Based on the 2024 Retail Valuation, no write back of impairment loss on the fully impaired Retail ROA (six months ended 30 June 2023: impairment loss of approximately HK\$896,000) was recognised in the profit or loss for the six months ended 30 June 2024. Based on the 2024 Manufacturing Valuation, an impairment loss of approximately HK\$1,224,000 (six months ended 30 June 2023: Nil) on the Manufacturing ROA, which was recognised from the lease extension during the six months ended 30 June 2024, was recognised during the six months ended 30 June 2024. The significant impairment recognised was mainly due to the continuous unsatisfactory performance of the Manufacturing CGU and management's expectation for the economic environment over the forecast period. The significant decrease in revenue and the sustained operating losses in the Leather Manufacturing Business for the six months ended 30 June 2024 was mainly a result of the continuous unfavorable international trade and global market. Other than these, there were no other extraordinary events or circumstances leading to the recognition of the impairment of the Manufacturing ROA as at 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year/period as follows:

	Six months ended 30 June 2024 Unaudited HK\$'000	Year ended 31 December 2023 Audited HK\$'000
Beginning of the period/year	6,213	10,045
Addition	1,335	896
Interest expenses (note 7)	295	830
Payment of lease liabilities	(1,613)	(5,352)
Exchange realignment	(120)	(206)
	<hr/>	<hr/>
Balance at end of the period/year	6,110	6,213

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LEASES (Continued)

(b) Lease liabilities (Continued)

	As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
Analysed into:		
Current portion	4,075	3,151
Non-current portion	2,035	3,062
	6,110	6,213

(c) Short-term leases

In addition, the Group entered into a lease agreement to extend the lease of the existing corporate head office for a further term of 1 year. Based on the business forecast prepared by the Directors, the short-term lease renewal for the corporate head office is regarded as onerous and provision for onerous short-term lease contract of approximately HK\$1,080,000 (six months ended 30 June 2023: Nil) was recognised in the profit and loss for six months ended 30 June 2024.

The operating lease commitments related to short-term leases for a retail shop and the corporate head office entered by the Group were approximately HK\$261,000 and HK\$748,000, respectively, as at 30 June 2024 (31 December 2023: approximately HK\$675,000 for a retail shop).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES

	As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
Trade receivables	2,689	6,699
Less: Impairment loss	(1,204)	(1,171)
Net carrying amounts	1,485	5,528

No credit term is granted to customers of the Leather Retail Business. Customers of the Leather Manufacturing Business are generally granted with credit terms of 30 to 90 days from the date of invoice. The ageing analysis of trade receivables based on the invoice date (net of impairment loss) at the end of reporting period is as follows:

	As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
Less than 30 days	527	3,288
31–60 days	546	2,121
61–90 days	–	110
91–120 days	266	9
121–365 days	146	–
More than 365 days	–	–
	1,485	5,528

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(Continued)*

The following table provides information about the Group's exposure to credit risk and the loss allowance for expected credit loss ("ECLs") for trade receivables as at 30 June 2024:

	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss HK\$'000	Net carrying amount HK\$'000
Current (not past due)	0.38	827	(3)	824
1-30 days past due	1.82	379	(7)	372
31-60 days past due	5.81	152	(9)	143
61-90 days past due	10.91	119	(13)	106
91-365 days past due	54.49	89	(49)	40
Over 365 days past due	100	1,123	(1,123)	-
		2,689	(1,204)	1,485

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(Continued)*

The following table provides information about the Group's exposure to credit risk and the loss allowance for ECLs for trade receivables as at 31 December 2023:

	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss HK\$'000	Net carrying amount HK\$'000
Current (not past due)	0.56	5,438	(30)	5,408
1–30 days past due	4.45	116	(5)	111
31–60 days past due	N/A	–	–	–
61–90 days past due	59.52	22	(13)	9
91–365 days past due	N/A	–	–	–
Over 365 days past due	100	1,123	(1,123)	–
		6,699	(1,171)	5,528

Expected credit losses are measured by using a provision matrix. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the historical trade receivables loss rate, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking factors including forecasts of future economic conditions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(Continued)*

Movements in the loss allowance for expected credit loss of trade receivables during the period are as follows:

	Six months ended 30 June 2024 Unaudited HK\$'000	Year ended 31 December 2023 Audited HK\$'000
Beginning of the period/year	1,171	1,188
Provision for/(Reversal of) impairment loss	33	(17)
Balance at end of period/year	1,204	1,171

15. TRADE PAYABLES

Details of the ageing analysis of the trade payables based on the invoice date at the end of reporting period are as follows:

	As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
Less than 30 days	545	909
31–60 days	737	1,164
61–90 days	188	394
91–120 days	209	189
121–365 days	460	74
More than 365 days	375	370
	2,514	3,100

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. DUE TO ULTIMATE CONTROLLING SHAREHOLDER AND A RELATED COMPANY

The amount due to ultimate controlling shareholder, namely Mr. Zhao, amounting to HK\$12,844,000 (31 December 2023: HK\$10,897,000) 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 related company, namely 北京盛茂坤科技產業發展有限公司, amounting to HK\$1,615,000 (31 December 2023: HK\$1,654,000) is unsecured, interest-free and has no fixed terms of repayment.

17. LOAN FROM A DIRECTOR

On 28 October 2019, the Company entered into a loan agreement with an executive Director, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER

	Six months ended 30 June 2024 Unaudited HK\$'000	Year ended 31 December 2023 Audited HK\$'000
Beginning of the period/year	19,517	19,002
Loan extension agreements entered: Notional interest saving arising from the interest-free loans	(1,309)	(1,412)
	18,208	17,590
Imputed interest charged	1,170	2,101
Exchange realignment	(158)	(174)
Balance at end of period/year	19,220	19,517
Less: Current portion	(4,146)	(15,604)
Non-current portion	15,074	3,913

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER *(Continued)*

Analysed into:

	As at 30 June 2024 Unaudited HK\$'000	As at 31 December 2023 Audited HK\$'000
Loans from ultimate controlling shareholder repayable:		
Within one year	4,146	15,604
In the second year	3,654	3,913
In the third to fifth years, inclusive	11,420	–
Beyond five years	–	–
Total	19,220	19,517

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\$21,271,000 in aggregate, collectively the “**Shareholder Loans**”) as at 30 June 2024 (31 December 2023: RMB7,010,000, HK\$2,226,000 and US\$1,480,000 (equivalent to approximately HK\$21,454,000 in aggregate)).

On 10 January 2024 and 25 March 2024, the Group and Mr. Zhao entered into certain supplemental agreements, pursuant to which, the terms of HK\$ Loans and US\$ Loans, which were originally repayable during January 2024 to June 2024 and during July 2024 to August 2024, respectively, have been extended for additional two years. As at 30 June 2024, the HK\$ Loans and US\$ Loans were accounted for at amortised cost, using effective interest rates of 16% and 10%, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER *(Continued)*

Among the RMB Loans, an interest-free loan with an outstanding principal amount of RMB2,510,000 (equivalent to approximately HK\$2,686,000) was repayable on 30 June 2024. Pursuant to a supplemental agreement entered on 25 March 2024, the term of this loan has been extended for additional two years to be repayable on 30 June 2026. The remaining RMB Loans with aggregate outstanding principal amounts of RMB4,500,000 (equivalent to approximately HK\$4,815,000) are repayable during March 2025 to June 2025. As at 30 June 2024, the RMB Loans were accounted for at amortised cost, using effective interest rates from 15% to 17%.

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.

19. SHARE CAPITAL

Authorised and issued share capital

	Number of shares <i>(in thousands)</i>	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	2,000,000	20,000
Issued and fully paid:		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	412,704	4,127

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. COMMITMENTS

Other than the operating lease commitments disclosed in note 13 to the Interim Financial Statements, the Group had no significant commitments as at 30 June 2024 and 31 December 2023.

21. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2024 and 31 December 2023.

22. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the balances and transactions with related parties disclosed elsewhere in the Interim Financial Statements, the Group has the following material related party transactions during the periods.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the periods are as follows:

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Short-term benefits	450	585
Post employment benefits	–	–
	450	585

23. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

For the six months ended 30 June 2024 (the “**Reporting Period**”), the Group’s revenue decreased by approximately 48.9% from approximately HK\$16,914,000 for the six months ended 30 June 2023 to approximately HK\$8,651,000. Gross profit decreased by approximately 57.8% from approximately HK\$4,856,000 for the six months ended 30 June 2023 to approximately HK\$2,051,000 for the six months ended 30 June 2024. The gross profit margin of the Group decreased from approximately 28.7% for the six months ended 30 June 2023 to approximately 23.7% for the six months ended 30 June 2024. The decrease in revenue was primarily attributable to a significant reduction in orders from the Group’s customers caused by various factors, leading to a decrease in revenue and gross profit of the Group. Performance of the Group’s business is covered in more detail under the “Business Review” section below.

Other income decreased from approximately HK\$34,000 for the six months ended 30 June 2023 to approximately HK\$10,000 for the six months ended 30 June 2024.

Selling and distribution costs decreased by approximately 14.1% from approximately HK\$1,032,000 for the six months ended 30 June 2023 to approximately HK\$887,000 for the six months ended 30 June 2024. The decrease was primarily due to the reduction of freight charges led by the reduction of sales during the six months ended 30 June 2024.

Administrative and other operating expenses decreased by approximately HK\$1,709,000 to approximately HK\$8,001,000 (six months ended 30 June 2023: approximately HK\$9,710,000) for the six months ended 30 June 2024. The decrease was mainly due to (i) the decrease in depreciation in property, plant and equipment and right-of-use assets as the property, plant and equipment and the right-of-use assets of the Group brought forward from previous years had been fully impaired during the year ended 31 December 2023, and (ii) the decrease in employee costs for administrative and supporting staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Other losses increased by approximately HK\$328,000 to approximately HK\$1,224,000 (six months ended 30 June 2023: approximately HK\$896,000) for the six months ended 30 June 2024. It comprises the impairment of right-of-use assets of the Leather Manufacturing Business during the six months ended 30 June 2024.

As a result of the above, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$9,549,000 (six months ended 30 June 2023: approximately HK\$8,443,000) for the six months ended 30 June 2024. Loss per share for the six months ended 30 June 2024 was 2.30 HK cents (six months ended 30 June 2023: 2.20 HK cents).

BUSINESS REVIEW

During the six months ended 30 June 2024, the leather manufacturing and leather retail business segments accounted for approximately 96.6% (six months ended 30 June 2023: approximately 97.4%) and approximately 3.4% (six months ended 30 June 2023: approximately 2.6%) of the total revenue of the Group, respectively.

Leather Manufacturing Business

For the six months ended 30 June 2024, the Group's revenue from its Leather Manufacturing Business from external customers decreased by approximately 49.3% from approximately HK\$16,473,000 for the six months ended 30 June 2023 to approximately HK\$8,353,000. This was mainly due to (i) signs of quick recovery in the leather business are yet to show, certain major customers in the United States of America (the "**United States**") are more cautious than ever in prices and quantities when placing their orders; (ii) persistent inflation and high interest rates coupled with the slowdown in economic growth, continues to weigh on consumer purchasing power; and (iii) persistent trade tensions between the PRC and the United States over the past few years.

MANAGEMENT DISCUSSION AND ANALYSIS

In line with the decrease in segment revenue, the segment loss increased by approximately HK\$1,355,000 from approximately HK\$3,514,000 for the six months ended 30 June 2023 to approximately HK\$4,869,000.

Revenue analysis by geographic location:

	Six months ended 30 June			
	2024		2023	
	Unaudited		Unaudited	
	HK\$'000	%	HK\$'000	%
United States	807	9.6	7,222	43.8
Europe	3,046	36.5	3,215	19.5
Hong Kong	91	1.1	3,254	19.8
PRC	408	4.9	149	0.9
Others	4,001	47.9	2,633	16.0
	8,353	100.0	16,473	100.0

Revenue analysis by product category:

	Six months ended 30 June			
	2024		2023	
	Unaudited		Unaudited	
	HK\$'000	%	HK\$'000	%
Belts	7,780	93.1	15,052	91.4
Leather goods and other accessories	573	6.9	1,421	8.6
	8,353	100.0	16,473	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Leather Retail Business

For the six months ended 30 June 2024, revenue generated from the Leather Retail Business was approximately HK\$298,000, representing a decrease of approximately 32.4% as compared to approximately HK\$441,000 for the six months ended 30 June 2023. Such decrease in revenue was mainly attributable to the slow recovery of the overall economic conditions in Hong Kong and the PRC and the significant surge in outbound travel by Hong Kong residents which affected the revenue in the Leather Retail Business.

Despite the decrease in revenue generated from the Leather Retail Business, there was a decrease in operating loss recorded by the Group's leather retail business segment attributable to the absence of the impairment on right-of-use assets for the six months ended 30 June 2024. The Group's leather retail business segment recorded an operating loss of approximately HK\$561,000 (six months ended 30 June 2023: approximately HK\$1,373,000) for the six months ended 30 June 2024.

Revenue analysis by geographic location:

	Six months ended 30 June			
	2024		2023	
	Unaudited		Unaudited	
	HK\$'000	%	HK\$'000	%
PRC	–	–	–	–
Hong Kong	298	100.0	441	100.0
	298	100.0	441	100.0

As at 30 June 2024, the Group operated one AREA 0264 store and one Teepee Leather workshop in Hong Kong (30 June 2023: one AREA 0264 store and one Teepee Leather workshop).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The current complex geopolitical and macroeconomic environment, high inflation, high interest rates, the United States pursued diversified their supply chains, have collectively impacted the export of goods manufactured in the PRC negatively. In the second half of 2024, the Group will remain cautious for its business development and expect the business to remain challenging. In view of this continuing dynamic situation, the management will closely monitor and evaluate the recovery status of the markets and allocate marketing resources to markets with a faster recovery pace.

In addition, reference is made to the announcement of the Company dated 3 June 2024, the Group has formulated and implemented certain business strategies and plans and will also focus on strict and effective cost control measures and optimize operations and financial management. In the long run, the Group remains committed to continuously improving its products, maintaining and further expanding its key customer base, and further optimizing operating efficiency. The Group is also actively exploring innovations and new business opportunities to enhance product development and diversify revenue streams, the Company has entered into the non-binding memorandum of cooperation (“**MOC**”) in respect of the strategic cooperation on supramolecular technology. Details of the MOC are set out in the announcements of the Company dated 25 June 2024 and 8 August 2024. 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 “**Industrial Hemp Planting Business**”). Hemp fabric is made of fibres from industrial hemp, and is a type of textile which is antibacterial, strong and versatile, and fills 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 resumed experimental cultivation of industrial hemp “Yunma No. 8” since late May of 2024, and the experimental cultivation cycle of industrial hemp “Yunma No. 8” is approximately 6 to 8 months. The Group looks forward to the successful trial planting and the ability to manufacture and produce hemp fabrics in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board considers that the above business plan, if materialised, could diversify the Group's product portfolio and income streams, thereby improving its profitability and financial position in the long term.

The Group will continue to work with customers, shareholders and business partners for the sustainable social development and concurrently 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 30 June 2024, the Group's cash and bank deposits were approximately HK\$854,000 as compared to approximately HK\$997,000 as at 31 December 2023.

The Group recorded total current assets of approximately HK\$6,744,000 as at 30 June 2024 (31 December 2023: approximately HK\$13,252,000) and total current liabilities of approximately HK\$57,729,000 as at 30 June 2024 (31 December 2023: approximately HK\$66,383,000). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.12 times as at 30 June 2024 (31 December 2023: approximately 0.20 times).

As at 30 June 2024, the Group had total assets amounting to approximately HK\$7,386,000 (31 December 2023: approximately HK\$14,033,000) and total liabilities of approximately HK\$74,838,000 (31 December 2023: approximately HK\$73,358,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 1,013.2% (31 December 2023: approximately 522.8%) as at 30 June 2024.

The drop in current ratio and the increase in gearing ratio were mainly resulted by the decrease of trade receivables and cash and cash equivalents led by the operating loss during the Reporting Period.

The Group recorded deficiency in assets of approximately HK\$67,452,000 as at 30 June 2024 (31 December 2023: HK\$59,325,000), the increase was mainly attributable to the operating loss of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As detailed in note 2(c) to the unaudited interim condensed consolidated financial statements (the “**Interim Financial Statements**”), the Company has undertaken various measures to improve its liquidity.

Apart from the loan of Mr. Qin, the Shareholder Loans, the Director Facility, the Shareholder Facility and the External Financing Facility disclosed in note 2(c) to the Interim Financial Statements, the Group did not have any bank borrowings or bank facilities as at 30 June 2024 and 31 December 2023 respectively.

Inventories and trade receivables

The Group recorded total inventories of approximately HK\$2,886,000 as at 30 June 2024 (31 December 2023: approximately HK\$4,594,000) and the inventory turnover days increased from 68 days to 80 days mainly due to the preparation of inventory in the first half of 2024 for the third quarter of 2024. The Group had trade receivables of approximately HK\$1,485,000 as at 30 June 2024 (31 December 2023: approximately HK\$5,528,000) and the debtor turnover days decreased from 67 days to 32 days.

TREASURY POLICY

The Group generally finances its operation with internally generated resources and financial assistance from an executive Director and the ultimate controlling shareholder of the Company, as well as the External Financing Facility as detailed in note 2(c) to the Interim Financial Statements. Cash and bank deposits of the Group are mainly denominated in HK\$, United States dollars (“**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 an adverse effect on the Group’s business, financial condition and results. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into HK\$ or US\$, of our Group’s net assets and earnings. 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 hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES OF ASSETS

The Group did not have any charges on assets as at 30 June 2024 (31 December 2023: Nil).

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

The Group did not have any significant investment nor make any significant acquisition of capital assets during the six months ended 30 June 2024.

The Group does not have any specific plans for material investments or capital assets acquisition as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not conduct any significant acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

COMMITMENTS AND CONTINGENT LIABILITIES

Other than the operating lease commitments disclosed in note 13 to the Interim Financial Statements, the Group had no significant commitments or contingent liabilities as at 30 June 2024 and 31 December 2023.

HUMAN RESOURCES

As at 30 June 2024, the Group employed 115 (31 December 2023: 126 employees). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The employee cost is set out in note 8 to the Interim Financial Statements. 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 pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-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.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“**SFO**”), (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), were as follows:

(I) Interest in the Company***Long positions in the ordinary shares of the Company (the “Shares”)***

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Zhao Jingfei (Chairman and executive Director)	Interest of a controlled corporation (<i>Note</i>)	256,024,406	62.04

Note: These Shares are held by Waterfront Holding Group Co., Ltd., which is wholly and beneficially owned by Mr. Zhao Jingfei. By virtue of the SFO, Mr. Zhao Jingfei is deemed to be interested in all the Shares held by Waterfront Holding Group Co., Ltd..

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Interest in the associated corporation of the Company***Long positions in the shares of the associated corporation***

Name	Name of associated corporation	Nature of interest	Number of share held in the associated corporation	Approximate percentage of shareholding
Zhao Jingfei (Chairman and executive Director)	Waterfront Holding Group Co., Ltd.	Beneficial owner	1	100%

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as known to the Directors, as at 30 June 2024, the following person (other than the Directors and chief executive of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Waterfront Holding Group Co., Ltd.	Beneficial owner	256,024,406	62.04

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003, the Company adopted a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme expired on 17 February 2013 and the Company has not adopted any new share option scheme thereafter.

There was no outstanding share option of the Company under the Share Option Scheme as at 1 January 2024 and 30 June 2024 and no share option of the Company was granted, exercised, lapsed or cancelled during the Reporting Period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CHANGES IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors and chief executive of the Company, there was no change in the information of the Directors or chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Company's annual report published on 30 April 2024 or their appointment.

PURCHASE, REDEMPTION OR SALE 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 six months ended 30 June 2024.

DISCLOSEABLE TRANSACTION IN RELATION TO THE TENANCY AGREEMENT

On 12 July 2024, an indirect wholly-owned subsidiary of the Company (as lessee) entered into a tenancy agreement (the "**Tenancy Agreement**") with an independent third party (as lessor) in respect of the lease of an industrial premises in Hong Kong for a period from 1 May 2024 to 30 April 2026 (both days inclusive). The monthly rent payable during the term is HK\$65,000, and the total rent payable under the Tenancy Agreement is HK\$1,560,000, exclusive of management fee, rates and government rent and utility charges and deposits.

For further details, please refer to the announcement of the Company dated 9 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

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 Listing Rules. The Company has complied with the Code Provisions as set out in the CG Code during the six months ended 30 June 2024 and up to the date of this report except the following deviation.

Under the code provision D.2.5 of the CG Code, the Group should have an internal audit function. The Company did not establish the internal audit function for the six months ended 30 June 2024. The Board is aware of the importance of internal audit function and based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being. Instead, the Company will engage an independent third party to carry out internal audit function annually. When necessary, the audit committee of the Company would carry out internal audit function for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this report, there is no other important event affecting the Group which have occurred after the end of the Reporting Period and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. As at 30 June 2024, the Audit Committee comprised three independent non-executive Directors, Ms. Han Yu (Chairlady), Ms. Jia Lixin and Mr. Rong Yi. The Group’s Interim Financial Statements for the six months ended 30 June 2024 have not been audited or reviewed by the external auditor of the Company, but the Audit Committee has reviewed and discussed with management in relation to financial reporting matters, including but not limited to the Interim Financial Statements of the Group for the six months ended 30 June 2024 and this report, and was satisfied that these Interim Financial Statements were prepared in accordance with applicable accounting standards.

By Order of the Board

China International Development Corporation Limited
Zhao Jingfei

Chairman and Executive Director

Hong Kong, 30 August 2024