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

2024 Annual Report

CONTENTS

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)*
Mr. Chiang Chien Chih *(appointed on 14 January 2025)*
Mr. Ying Yong *(appointed on 14 January 2025)*

Independent Non-executive Directors

Ms. Han Yu
Ms. Jia Lixin
Ms. Chen Mengsi *(appointed on 21 January 2025)*
Mr. Rong Yi *(passed away on 28 December 2024)*

COMPANY SECRETARY

Mr. Chan Tsang Mo

AUDIT COMMITTEE

Ms. Han Yu *(Committee Chairlady)*
Ms. Jia Lixin
Ms. Chen Mengsi *(appointed on 21 January 2025)*
Mr. Rong Yi *(passed away on 28 December 2024)*

NOMINATION COMMITTEE

Mr. Zhao Jingfei *(Committee Chairman)*
Ms. Han Yu
Ms. Jia Lixin
Ms. Chen Mengsi *(appointed on 21 January 2025)*
Mr. Rong Yi *(passed away on 28 December 2024)*

REMUNERATION COMMITTEE

Ms. Chen Mengsi *(Committee Chairlady)*
(appointed on 21 January 2025)
Mr. Fan Xin
Ms. Han Yu
Ms. Jia Lixin
Mr. Rong Yi *(passed away on 28 December 2024)*

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 ADVISERS ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

LEGAL ADVISERS ON HONG KONG LAW

Li & Partners

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 Services 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

	Year ended 31 December 2024	Year ended 31 December 2023
Operating results		
Revenue (HK$'000)	**21,961**	30,298
Gross profit (HK$'000)	**6,601**	5,681
Loss before tax (HK$'000)	**(17,072)**	(27,641)
Loss for the year (HK$'000)	**(17,072)**	(27,909)
Business performance ratios		
Gross profit margin (%)	**30.1**	18.8
Current ratio (times)	**0.18**	0.20
Quick ratio (times)	**0.15**	0.13
Share data (as at year end date)		
Shares in issue ('000)	**422,716**	412,704
Shares closing price (HK$)	**1.56**	1.32
Market capitalization (HK$'000)	**659,437**	544,769
Basic loss per share attributable to the owners of the Company (HK cents)	**(4.1)**	(7.2)
Net liabilities value per share (HK$)	**(0.15)**	(0.14)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China International Development Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I present the annual report of the Company for the year ended 31 December 2024.

FINANCIAL PERFORMANCE

The Group has recorded revenue of approximately HK$21,961,000 for the year ended 31 December 2024 (2023: approximately HK$30,298,000), representing a decrease of 27.5% or approximately HK$8,337,000 as compared with the year ended 31 December 2023. Revenue contributed from the Leather Manufacturing Business and Leather Retail Business (excluding inter-segment revenue) was approximately HK$21,433,000 (2023: approximately HK$29,547,000) and approximately HK$522,000 (2023: approximately HK$751,000) for the year ended 31 December 2024, respectively. Gross profit was approximately HK$6,601,000 (2023: approximately HK$5,681,000) for the year ended 31 December 2024. There was an increase in gross profit margin from approximately 18.8% for the year ended 31 December 2023 to approximately 30.1% for the year ended 31 December 2024. The decreased revenue was primarily attributable to significant decrease in revenue of the Leather Manufacturing Business which in turn was primarily due to the decrease in sales orders from branded customers caused by various factors, including (i) the economic recovery was not as robust as expected; (ii) persistent trade tensions between the Mainland China and the United States of America (the "**United States**") over the past few years; and (iii) 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 detail under the "Business Review" section below.

Other income increased from approximately HK$179,000 for the year ended 31 December 2023 to approximately HK$288,000 for the year ended 31 December 2024. The increase was mainly attributable to the net foreign exchange gains increased from approximately HK$23,000 for the year ended 31 December 2023 to approximately HK$250,000 for the year ended 31 December 2024.

Other losses decreased from approximately HK$8,162,000 for the year ended 31 December 2023 to approximately HK$1,553,000 for the year ended 31 December 2024. The change was mainly due to (i) the impairment loss on right-of-use assets of approximately HK$5,198,000 (2024: approximately HK$1,553,000) during the year ended 31 December 2023; and (ii) the impairment loss on property, plant and equipment of approximately HK$2,964,000 (2024: Nil) during the year ended 31 December 2023.

Selling and distribution costs decreased significantly by approximately HK$1,092,000 to approximately HK$1,910,000 for the year ended 31 December 2024 (2023: approximately HK$3,002,000). The decrease was mainly due to the decrease in revenue.

Administrative and other operating expenses decreased by approximately HK$2,843,000 to approximately HK$16,516,000 (2023: approximately HK$19,359,000) for the year ended 31 December 2024. 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$17,062,000 (2023: approximately HK$27,909,000) for the year ended 31 December 2024. Loss per share attributable to owners of the Company for the year ended 31 December 2024 was HK4.1 cents (2023: HK7.2 cents).

BUSINESS REVIEW

For the year ended 31 December 2024, the Leather Manufacturing Business and the Leather Retail Business accounted for approximately 97.6% (2023: approximately 97.5%) and approximately 2.4% (2023: approximately 2.5%) of the Group's total revenue, respectively.

Leather Manufacturing Business

For the year ended 31 December 2024, revenue of the Leather Manufacturing Business from external customers was approximately HK$21,433,000, representing a decrease of approximately 27.5% in comparison with approximately HK$29,547,000 for the year ended 31 December 2023. The decrease was mainly due to (i) the structural contraction in the United States market demand, economic uncertainty has substantially eroded consumer purchasing power for non-essential goods, with our premium leather products being particularly affected; and (ii) the fundamental restructuring of global supply chains, geopolitical factors have driven international brand clients to adopt "China+1" procurement strategies. Major competitors have progressively relocated production to Southeast Asia, with Vietnamese and Indonesian manufacturers gaining significant order transfers through labour cost advantages.

Revenue analysis by geographic location:

	2024		2023	
	HK$'000	**%**	HK$'000	%
Hong Kong, China	**8,432**	**39.3**	5,371	18.2
The United States	**935**	**4.4**	12,551	42.5
Europe	**9,887**	**46.1**	5,854	19.8
The Mainland China	**461**	**2.2**	1,058	3.6
Other countries	**1,718**	**8.0**	4,713	15.9
	21,433	**100.0**	29,547	100.0

Revenue analysis by product category:

	2024		2023	
	HK$'000	**%**	HK$'000	%
Belts	**13,065**	**61.0**	27,968	94.7
Leather goods and other accessories	**8,368**	**39.0**	1,579	5.3
	21,433	**100.0**	29,547	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$522,000 (2023: approximately HK$751,000) from Hong Kong for the year ended 31 December 2024, representing an approximately 30.5% decrease in comparison with that for the year ended 31 December 2023. Such decrease in revenue was mainly attributable to the continued 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 Leather Retail Business.

The Leather Retail Business resulted in a loss of approximately HK$2,004,000 for the year ended 31 December 2024 as compared to approximately HK$2,857,000 for the year ended 31 December 2023. The decrease was mainly due to the impairment of right-of-use assets of approximately HK$896,000 (2024: Nil) for the year ended 31 December 2023. The Group maintained one (2023: one) AREA 0264 store and one (2023: one) Teepee Leather workshop in Hong Kong as at 31 December 2024.

Automobile Services Business

The Group has expanded its new business into the Automobile Services Business by setting up a joint venture with a strategic partner in December 2024. The Group has recorded revenue of approximately HK$6,000 for the year ended 31 December 2024 (2023: Nil). The Automobile Services Business resulted in a loss of approximately HK$20,000 for the year ended 31 December 2024 (2023: Nil). However, in order to adapt to market changes and realise the Group's long-term development goals, the Group is of the view that engaging in the Automobile Services Business will provide the Group with a stable source of income in the future.

PROSPECTS

2024 was a year of challenges and transformation for the Company. As a business primarily focused on the Leather Manufacturing Business and the Leather Retail Business, the Group continued to face multiple pressures post-pandemic, including weak market demand, rising raw material costs, and intensified industry competition. This led to a continued decline in sales performance and a net loss for the year ended 31 December 2024. Although the global economy gradually recovered after the pandemic, the pace of recovery fell short of expectations, and significant changes in consumer behavior have had a profound impact on our industry.

In 2025, the Group's Leather Manufacturing Business will realise a two-pronged approach. The traditional leather belt products will be strengthened through the co-design of classic models and supply chain upgrading to enhance the product line, thereby increasing the order rate of customers; on the other hand, the new leather business, with the core of "High-end Craftsmanship" and "Sustainable Fashion", will launch a separate line of products covering customised services for handbags, accessories and other areas such as automobiles, with new materials and e-commerce virtual trial, and is expected to achieve growth and expansion of orders in China. With the adoption of new materials and the virtual trial of e-commerce, we expect domestic orders to grow and expand. We expect to deepen synergies and innovations in the future to further expand the global market and strengthen our digital operations to consolidate our leading position in the leather manufacturing industry. 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.

The Group is also actively exploring innovations and new business opportunities to enhance product development and diversify revenue streams. A joint venture named Flex Fuel Eco Company Limited (法氫環保潔淨有限公司) was established to engage in the Automobile Services Business in December 2024, to collaborate on the research and development, production and sales of the hydrogen injection cleaning system for motor vehicle's engine. Revenue has been generated and it is expected to be a steady stream of income for the Group. The Company is of the view that the Group may have more business opportunities in respect of development of hydrogen in the future. For details, please refer to the announcements of the Company dated 4 November 2024, 28 November 2024 and 19 March 2025.

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 resumed experimental cultivation of industrial hemp "Yunma No. 8" since late May of 2024, however, the result of the trial planting was not satisfied. The Group will continue to work on the experimental cultivation of industrial hemp and looks forward to successful trial planting and the ability to manufacture and produce hemp fabrics in the future.

Looking ahead, the Group remains committed to continuously improving its products, maintaining and further expanding its key customer base in Europe and Hong Kong, and focus on several key initiatives that we believe would help to achieve profitability and sustainable growth, including measures that improve the operational efficiency and reduce costs wherever possible. By streamlining the Group's processes and optimising the supply chain, the management believe that the Group can achieve greater profitability and position itself for long-term success. At the same time, the management will also actively undertake measures to control operating costs and inventory levels, and maintain healthier cash flow and liquidity. The Board will pay close attention to economic conditions and market trends and may adjust the above measures accordingly and keep exploring new business opportunities.

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.

Zhao Jingfei
Chairman

Hong Kong, 31 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, the Group's cash and bank deposits were approximately HK$829,000 as compared to approximately HK$997,000 as at 31 December 2023.

The Group recorded total current assets of approximately HK$10,878,000 as at 31 December 2024 (31 December 2023: approximately HK$13,252,000) and total current liabilities of approximately HK$59,744,000 as at 31 December 2024 (31 December 2023: approximately HK$66,383,000). 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 0.18 times as at 31 December 2024 (31 December 2023: approximately 0.20 times).

As at 31 December 2024, the Group had total assets amounting to approximately HK$10,878,000 (2023: approximately HK$14,033,000) and total liabilities of approximately HK$72,899,000 (2023: approximately HK$73,358,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 670.2% (31 December 2023: approximately 522.8%) as at 31 December 2024.

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 2024.

The Group recorded deficiency in assets of approximately HK$62,021,000 (31 December 2023: HK$59,325,000) as at 31 December 2024, which was mainly attributable to the operating loss and the impairment loss of the year.

As detailed in note 2.1 to the consolidated financial statements, the Company has undertaken various measures to improve its liquidity. The Directors are of the view that the Group will have sufficient working capital to finance its obligations as and when they fall due for at least 12 months from 31 December 2024.

Inventories and trade receivables

The Group recorded total inventories of approximately HK$2,010,000 (31 December 2023: approximately HK$4,594,000) as at 31 December 2024 and the inventory turnover days decreased to 48 days as at 31 December 2024 from 68 days as at 31 December 2023. The Group had trade receivables of approximately HK$5,298,000 (31 December 2023: approximately HK$5,528,000) as at 31 December 2024 and the debtor turnover days increased from 67 days to 88 days.

Impairment loss on property, plant and equipment and right-of-use assets

During the year ended 31 December 2024, a non-cash impairment loss of approximately HK$1,553,000 was recognised on the right-of-use assets (2023: approximately HK$8,162,000 was recognised on the property, plant and equipment and the right-of-use assets), mainly attributable to the past performance and the continuing challenging market condition as an impairment indicator to the Group's businesses. Further details of the impairment loss are set out in note 12 and note 22(a) to the consolidated financial statements.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 4 November 2024 (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 40,000,000 new ordinary Shares of the Company (the "**Placing Share(s)**") to not less than six placees, who and whose ultimate beneficial owners shall be independent third parties, at the placing price (the "**Placing Price**") of HK$1.02 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$0.97 per Placing Share. The Directors consider that the Placing represents a good opportunity to raise additional funds through the equity market and will strengthen the Group's financial position.

The Placing was completed on 21 November 2024, where a total of 10,012,000 Placing Shares, representing approximately 2.37% 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$1.02 per Placing Share. The aggregate nominal value of the 10,012,000 Placing Shares was HK$100,120. The market price of the 10,012,000 Placing Shares was HK$12,615,120 on 4 November 2024 (being the date on which the terms of the Placing were fixed). 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 4 June 2024. For details, please refer to the announcements of the Company dated 4 November 2024 and 21 November 2024.

The gross proceeds from the Placing was approximately HK$10.2 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$9.7 million (the "**Placing Net Proceeds**"). The Company has allocated (i) approximately HK$3.0 million for the purchase of materials for production and the payment of overhead for the manufacturing plant of the Group; (ii) approximately HK$3.7 million for the general working capital of the Group including rental payments, staff cost, professional fees and other general administrative and operating expenses; and (iii) approximately HK$3.0 million for the settlement of outstanding payables. Up to 31 December 2024, the Placing Net Proceeds have been fully utilised, the Placing Net Proceeds were used according to the intentions previously disclosed in the announcement of the Company dated 21 November 2024.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at and during the year ended 31 December 2024 (2023: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

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 report.

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 and other fund raising activities, including but not limit to placing of new shares. 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 2024, the Group did not have any charges on assets (31 December 2023: Nil).

Other than the operating lease commitments disclosed in note 22(d) to the consolidated financial statements, the Group had no significant commitments and contingent liabilities as at 31 December 2024 and 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

On 21 February 2025, the Company entered into the placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 30,000,000 Placing Shares at the Placing Price of HK$1.78 per Placing Share (the "**Placing**"). The placing shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 4 June 2024.

All the conditions set out in the placing agreement have been fulfilled and completion of the placing took place on 18 March 2025. An aggregate of 9,024,000 placing shares, representing (i) approximately 2.13% of the existing issued share capital of the Company of 422,716,000 Shares immediately before the completion of the Placing; and (ii) approximately 2.09% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares, have been successfully placed to not less than six placees, at the placing price of HK$1.78 per placing share pursuant to the terms of the placing agreement. The net issue price per Placing Share (after deduction of the placing commission, professional fees and all related expenses) is approximately HK$1.73 per Placing Share.

As the Placing Shares were not fully placed, the actual gross proceeds from the placing are approximately HK$16.06 million, and the actual net proceeds from the placing, after deducting the placing commission, professional fees and other related expenses incurred in relation to the Placing, amount to approximately HK$15.62 million, which are intended to be applied as to (i) approximately HK$6 million, equivalent to approximately 38.41% of the net proceeds from the Placing for the purchase of materials, equipment, and overhead costs related to the leather manufacturing and extended cleaning services for leather and motor vehicle's engine; and (ii) approximately HK$6 million, equivalent to approximately 38.41% of the net proceeds from the Placing, for the general working capital of the Group including rental payments, staff costs, professional fees and other general administrative and operating expenses; and (iii) approximately HK$3.62 million, equivalent to approximately 23.18% of the net proceeds from the Placing, for settlement of outstanding payables.

For details, please refer to the announcements of the Company dated 21 February 2025, 26 February 2025 and 18 March 2025.

Apart from (a) the placement and issue of new shares of the Company disclosed above, (b) the 2025 External Financing Facility (detailed in paragraph (viii) under Note 2.1 to the consolidated financial statements below); and (c) certain supplemental agreements entered into between the Group and Mr. Zhao Jingfei, an executive Director, Chairman and ultimate controlling shareholder of the Company and Mr. Qin Bohan, an executive Director of the Company, each as disclosed in note 2.1 to the consolidated financial statements, there was no material event occurring subsequent to 31 December 2024.

HUMAN RESOURCES

As at 31 December 2024, the Group employed 109 (2023: 126) 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 2024 (2023: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhao Jingfei, aged 35, has been appointed as an executive Director and chairman of the Board (the "**Chairman**") on 22 July 2019. He obtained a bachelor's degree in economics from Wuhan Sports University in 2013. Since graduation, Mr. Zhao has been assisting in the management of his family business as well as accumulating other working and investment experience in the PRC, which includes financial and apparel businesses. In addition, from January 2015 to January 2019, Mr. Zhao worked in Hubei Hengji Business Co., Ltd* (湖北亨基商貿有限公司) ("**Hubei Hengji**"), a manufacturing and processing company of apparel, with his last position as the operations manager. During his years working in Hubei Hengji, Mr. Zhao was primarily responsible for the procurement of garments and the introduction of brands.

Mr. Fan Xin, aged 42, has been appointed as an executive Director, Chief Executive Officer (the "**CEO**") and authorised representative of the Company on 22 July 2019. He obtained New Zealand Diploma in Business (Level 6) from New Zealand Academy of Studies in 2008. Mr. Fan was a part-time researcher in the Securities Research Institute of Fudan University* (復旦大學證券研究所) from March 2013 to December 2013. He was a general manager in Beijing Sinan Think Tank Economics Research Co., Ltd.* (北京司南車智庫經濟學研究有限公司). He has been an executive director of Yinglian Technology Co., Ltd.* (鷹鏈科技有限公司) since February 2018. He has also been the general manager of Lijiang Airlines Investment Co., Ltd.* (麗江航空投資有限公司) since December 2018.

Mr. Qin Bohan, aged 29, has been appointed as an executive Director on 9 September 2019. He was the assistant to the general manager of Tangcheng (Beijing) Finance and Taxation Service Co., Ltd.* (唐誠(北京)財稅服務有限公司) from February 2015 to October 2017. He has been the general manager of Beijing Zhongmin Huisheng Technology Co., Ltd.* (北京中民匯生科技有限公司) since December 2017.

Mr. Leung Wai Kit, aged 49, has been appointed as an executive Director on 5 July 2024. He obtained his bachelor's degree in business administration from the University of Management and Technology. Mr. Leung has over 20 years of sales and marketing experience in the telecom industry and over 15 years of management experience in business and sales operations in Hong Kong and mainland China. From December 1994 to March 2014, he held various operational and management positions in certain leading mobile telecommunications operators. He has served as a founder and chief executive officer of a natural skincare brand since June 2015.

Mr. Chiang Chien Chih, aged 48, has been appointed as an executive Director on 14 January 2025. He obtained a Master's degree of Arts in Philosophy from National Chung Cheng University in October 2000. Mr. Chiang has 15 years of rich working experience in the field of capital market, focusing on cross-border mergers and acquisitions, private equity as well as assisting companies from Taiwan and Mainland China in overseas investment and listing operations, and has extensive commercial cooperation and practice experience. He acted as senior department manager of Citibank, Taipei branch, Capital Securities Corporation and Expense Reduction Analysts Group, respectively, from January 2008 to July 2019. Mr. Chiang has been committed to the industry engaging in the development of hydrogen new energy technology since 2016, focusing on promoting the application of technology for engine hybrid hydrogen combustion equipment and responsible for exploring the markets in the PRC and the Asia-pacific region for such technology and Anion Exchange Membrane (AEM) hydrogen production technology. As a major promoter of the hydrogen energy industry, he has actively participated in the development of the hydrogen energy industry in China, facilitating the achievement of the national strategic goal of carbon peak and carbon neutrality. He served as the business consultant of the Company from 1 December 2024 to 14 January 2025.

* The English translation of the Chinese names, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

Mr. Ying Yong, aged 46, has been appointed as an executive Director on 14 January 2025. He graduated from East China Normal University majoring in computer graphic design in July 2004. Mr. Ying served as creative service director of Shanghai Nitro Advertising Co. Limited* (上海麒靈廣告有限公司) from October 2002 to September 2011. He served as project director of a commodities trading company under Trends Communications Group* (趨勢中國傳播機構) from October 2011 to May 2013. He acted as deputy general manager of Zhongxu Hongji Investment Co., Ltd.* (中旭鴻基投資有限公司) from June 2013 to May 2017. He worked as vice president and commercial director of Beijing Luotian Culture Media Co., Ltd.* (北京洛天文化傳媒有限公司) from October 2020 to December 2021. He served as commercial director of Huakang ERAS (Beijing) Health Technology Co., Ltd.* (華康醫促(北京)健康科技有限公司) from January 2022 to January 2023. He has been the business consultant of Beijing Zhidao Management Consulting Co., Ltd.* (北京職道管理顧問有限公司) since January 2023 to the present. He has been a director of Sun Ray Manufactory Limited, a wholly-owned subsidiary of the Company, since October 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Han Yu, aged 52, has been appointed as an independent non-executive Director on 9 September 2019. She obtained a master's degree in management majoring in accounting from Central University of Finance and Economics in 2008. Ms. Han has over 10 years' experience in accounting and financial management. She was the vice chief financial officer of Beijing Dinghan Technology Group Co., Ltd., a company listed on Growth Enterprise Market of Shenzhen Stock Exchange (Stock Code: 300011) from June 2008 to October 2012. She was the chief financial officer of Changshu Poly Theatre Management Co., Ltd.* (常熟市保利大劇院管理有限公司) from November 2012 to May 2016. She has been the chief financial officer of Shenzhen Qianhai Hanya Trading Company Limited* (深圳前海瀚亞貿易有限責任公司) since November 2016.

Ms. Jia Lixin, aged 35, has been appointed as an independent non-executive Director on 9 September 2019. She graduated from the Hull University with a degree of Bachelor of Arts in Business and Management in 2012. She also obtained a degree of Master of Science in International Business from the Coventry University in 2013. Ms. Jia has been the general manager of Yichang Zaowei Information Technology Consulting Co., Ltd.* (宜昌早為信息技術諮詢有限公司) since 2017 to 2022.

Ms. Chen Mengsi, aged 35, has been appointed as an independent non-executive Director on 21 January 2025. She obtained a Bachelor's degree of Arts in Accounting and Marketing from the University of Keele in July 2012. Ms. Chen served as assistant to general manager of Dongguan Nanbei Garden Hotel Co., Ltd.* (東莞市南北花園酒店有限公司) from March 2012 to October 2015. She served as deputy general manager of Dongguan Nanbei Mechanical and Electrical Group Co., Ltd.* (東莞南北機電集團有限公司) from November 2015 to April 2018. She has been a shareholder and a supervisor of Guangdong Zeheng Electric Power Engineering Co., Ltd.* (廣東擇恒電力工程有限公司) since May 2018.

* The English translation of the Chinese names, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

COMPANY SECRETARY

Mr. Chan Tsang Mo, aged 41, has been appointed as the company secretary of the Company on 28 February 2018. Mr. Chan is a director of Synergy Morton Corporate Services Limited, a professional firm providing corporate secretarial and advisory services. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and holds a degree in Bachelor of Business Administration in Accounting from the City University of Hong Kong. Mr. Chan has over 15 years of experience in the field of accounting and financial management.

The primary corporate contract person at the Company is Mr. Zhao Jingfei, an executive Director and Chairman of the Company.

CORPORATE GOVERNANCE REPORT

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 2024 except for the following deviations.

Under Code Provision D.2.5 of the CG Code, the Group should have an internal audit function. The Group has reviewed the need for an internal audit department annually. Given the Group's simple operating structure, the management is of the opinion that instead of setting up an internal audit department, it would be more cost effective to engage an independent external professional party to review on annual basis the internal control systems and measures of the Group and report to the audit committee (the "**Audit Committee**") members. The review covered analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, encompassing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function, as well as those relating to the Company's Environmental, Social and Governance ("**ESG**") performance and reporting. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

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

Under the Code Provision F.2.2 of the CG Code, the Chairman should attend the annual general meeting and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Zhao Jingfei (chairman of the Board and chairman of the nomination committee at the time of annual general meeting) was unable to attend the annual general meeting of the Company held on 4 June 2024 due to his personal health reason. All other chairmen and members of the audit, remuneration and nomination committee who attended the annual general meeting and were of sufficient calibre for answering question at the annual general meeting.

Following the passing away of Mr. Rong Yi (being an independent non-executive Director) on 28 December 2024, the Board comprised six Directors, including four executive Directors and two independent non-executive Directors. The Company did not meet the minimum number of independent non-executive directors as required under Rule 3.10(1) of the Listing Rules. Such non-compliance was remedied after the appointment of Ms. Chen Mengsi as an independent non-executive Director on 21 January 2025.

Under Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members. Following the passing away of Mr. Rong Yi on 28 December 2024, the composition of the Audit Committee did not meet the requirement of Rule 3.21 of the Listing Rules. Such non-compliance was remedied after the appointment of Ms. Chen Mengsi as a member of the Audit Committee on 21 January 2025.

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 2024.

BOARD OF DIRECTORS

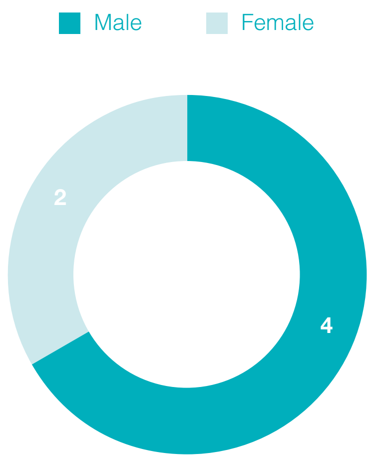
The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic directions and financial performance. The management was delegated authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to Remuneration Committee, Audit Committee and Nomination Committee.

The Board currently consists of six executive Directors and three independent non-executive Directors. Their brief biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this report. There is no relationship, including financial, business, family or other material relevant relationships among the Board members and between the Chairman and the Chief Executive Officer.

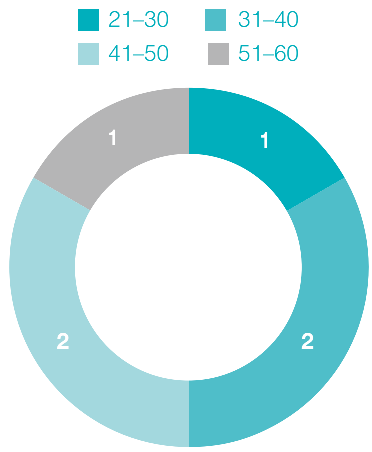
During the year ended 31 December 2024, Mr. Leung Wai Kit was appointed as an executive Director. He had obtained the legal advice regarding obligations as a director of a listed issuer referred to in Rule 3.09D of the Listing Rules on 5 July 2024. And he has confirmed he understood his obligations as a director of a listed issuer.

As at 31 December 2024, Board diversification in terms of:

GENDER



AGE GROUP



CAPACITY

MARKET/INDUSTRY EXPERIENCE

The Board conducts meeting on a regular basis at approximately quarterly intervals and on an ad hoc basis, as required by business needs.

During the year ended 31 December 2024, nine Board meetings were held by the Company. The individual attendance record of each Director at the meetings of the Board and annual general meeting of the Company during the year ended 31 December 2024 is as follows:

	Number of Board meetings attended/ eligible to attend	Annual general meeting held on 4 June 2024 attended
Executive Directors		
Mr. Zhao Jingfei *(Chairman)*	8/9	0/1
Mr. Fan Xin *(Chief Executive Officer)*	9/9	1/1
Mr. Qin Bohan	9/9	1/1
Mr. Leung Wai Kit *(appointed on 5 July 2024)*	4/4	N/A
Mr. Chiang Chien Chih *(appointed on 14 January 2025)*	N/A	N/A
Mr. Ying Yong *(appointed on 14 January 2025)*	N/A	N/A
Independent Non-executive Directors		
Ms. Han Yu	9/9	1/1
Ms. Jia Lixin	9/9	1/1
Ms. Chen Mengsi *(appointed on 21 January 2025)*	N/A	N/A
Mr. Rong Yi *(passed away on 28 December 2024)*	9/9	1/1

During the year ended 31 December 2024, the chairman of the Board held one meeting with the independent non-executive Directors, without the presence of other executive Directors.

Non-executive Directors

All current independent non-executive Directors are appointed for a specific term of three years, renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment until terminated in accordance with the provisions under the appointment and are also subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with the Company's articles of associations (the "**Articles**").

In order to ensure that independent views and input of the independent non-executive directors are made available to the Board, the Nomination Committee and the Board are committed to assess the directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;

- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

The Board has reviewed the above mechanism and considers the same has been effectively implemented during the year ended 31 December 2024.

Following the passing away of Mr. Rong Yi (being an independent non-executive Director) on 28 December 2024, the Board comprised six Directors, including four executive Directors and two independent non-executive Directors. The Company did not meet the minimum number of independent non-executive directors as required under Rule 3.10(1) of the Listing Rules. Such non-compliance was remedied after the appointment of Ms. Chen Mengsi as an independent non-executive Director on 21 January 2025. One of the independent non-executive Directors, namely Ms. Han Yu, possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Apart from the non-compliance resulted by the passing away of Mr. Rong Yi afore mentioned, the number of independent non-executive Directors represents at least one-third of the Board which is in compliance with Rule 3.10A of the Listing Rules during the year ended 31 December 2024 and as of the date of this report.

The Company has received from each of the independent non-executive Directors an annual written confirmation of his/her independence as required under Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers all independent non-executive Directors are independent.

DIRECTORS' RESPONSIBILITIES

The Board is responsible for overall management and control of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and service of the company secretary and senior management. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

DELEGATION BY THE BOARD

The Board has delegated responsibilities to the executive directors and senior management of the Company, including implementing decisions of the Board and directing and conducting the day-to-day operation and the management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board and approval has to be obtained from the Board prior to any significant transactions are entered.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The appointment of a new director must be approved by the Board. The Board has delegated to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Nomination Committee has established certain guidelines to assess the candidates. These guidelines emphasise appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and possible time commitments to the Board and the Company.

Each newly appointed director would receive a comprehensive, formal and tailored induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal and regulatory requirements and the Company's business and governance policies.

Each of the Directors (including non-executive Directors) has entered into a service contract or letter of appointment with the Company and is appointed for an initial term of three years. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings in accordance with the Listing Rules and the Articles. Every Director newly appointed by the Board is subject to re-election at the next following general meeting after his/her appointment.

According to article 84(1) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3) the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall retire from office by rotation at least once every three years.

Pursuant to article 84(1) of the Articles, each of Mr. Zhao Jingfei, Mr. Qin Bohan and Ms. Jia Lixin shall retire from office as Directors at the forthcoming annual general meeting of the Company. Mr. Zhao Jingfei, Mr. Qin Bohan and Ms. Jia Lixin, being eligible, will offer themselves for re-election.

Pursuant to article 84(1) of the Articles, Mr. Leung Wai Kit, Mr. Chiang Chien Chih, Mr. Ying Yong and Ms. Chen Mengsi shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election. Mr. Leung Wai Kit, Mr. Chiang Chien Chih, Mr. Ying Yong and Ms. Chen Mengsi, being eligible, will offer themselves for re-election.

BOARD PRACTICES AND CONDUCT OF MEETINGS

The Board holds regular meetings no less than 4 times each year to formulate overall strategy of the Group, monitor its financial performance and maintain effective oversight over management. Directors may participate either in person or through electronic means of communications. Notice of regular board meetings is served to all directors at least 14 days prior to the meeting. For other board and committee meetings, reasonable notice is generally given.

Agenda of each board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each board meeting to keep the directors apprised of the latest development and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman and other relevant senior management normally attend regular board and committee meetings, and where necessary, other board and committee meetings to advise on business development, financial and accounting matters, statutory compliance, corporate governance, environment, social and governance issues and other major aspects of the Group. Draft minutes are normally circulated to all directors for comment in due course after each meeting and the final copy, which is kept by the company secretary, is open for directors' inspection.

Any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened board meeting. Except for those circumstances permitted by the Articles, a director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such director is not counted for quorum determination purposes.

DIRECTORS' INSURANCE COVER OF LEGAL ACTION

Under the Code Provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. During the year ended 31 December 2024, the Company arranged appropriate insurance cover for Directors' and officers' liabilities.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to provision C.1.4 of the CG Code, all the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

During the year ended 31 December 2024, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/ Read Materials
Executive Directors	
Mr. Zhao Jingfei *(Chairman)*	✔
Mr. Fan Xin *(Chief Executive Officer)*	✔
Mr. Qin Bohan	✔
Mr. Leung Wai Kit *(appointed on 5 July 2024)*	✔
Mr. Chiang Chien Chih *(appointed on 14 January 2025)*	N/A
Mr. Ying Yong *(appointed on 14 January 2025)*	N/A
Independent Non-executive Directors	
Ms. Han Yu	✔
Ms. Jia Lixin	✔
Mr. Chen Mengsi *(appointed on 21 January 2025)*	N/A
Mr. Rong Yi *(passed away on 28 December 2024)*	✔

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Group are separated and performed by different individuals, namely Mr. Zhao Jingfei and Mr. Fan Xin, respectively.

Mr. Zhao Jingfei is responsible for leading the Board and managing its work to ensure that it effectively operates and fully discharges its responsibilities. Mr. Fan Xin is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions. The Company considered that the division of responsibilities between the chairman and chief executive officer is clearly established.

BOARD COMMITTEES

There are three committees established under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee has its defined and written terms of reference setting out its duties, powers and functions and being posted on the Company's website and the Stock Exchange's website. The board committees report regularly to the Board on their decisions and recommendations, and they are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with the Corporate Governance Code and in line with the Listing Rules requirement. The primary functions of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Prior to 28 December 2024, the Audit Committee comprised three independent non-executive Directors, namely Ms. Han Yu (Committee Chairlady), Ms. Jia Lixin and Mr. Rong Yi. Following the passing away of Mr. Rong Yi on 28 December 2024, the composition of the Audit Committee did not meet the requirement of Rule 3.21 of the Listing Rules. Such non-compliance was remedied after the appointment of Ms. Chen Mengsi as a member of the Audit Committee on 21 January 2025. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Han Yu (Committee Chairlady), Ms. Jia Lixin and Ms. Chen Mengsi.

During the year ended 31 December 2024, two Audit Committee meetings were held by the Company. Individual attendance of each committee member at the meetings is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Ms. Han Yu *(Committee Chairlady)*	2/2
Ms. Jia Lixin	2/2
Ms. Chen Mengsi *(appointed on 21 January 2025)*	N/A
Mr. Rong Yi *(passed away on 28 December 2024)*	2/2

The major roles and functions of the Audit Committee are as follows:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to review and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- to monitor the integrity of the Company's financial statements and the annual report and accounts and interim report and, if prepare for publication, and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts of the Company before submission to the Board, the Audit Committee shall focus particularly on:

  - any changes in financial reporting and accounting policies and practices;

  - major judgmental areas;

  - significant adjustments resulting from audit;

  - the going concern assumptions and any qualifications;

  - compliance with accounting standards; and

  - compliance with the Listing Rules, the applicable rules and legal requirements in relation to financial reporting.

- to liaise with the Board and senior management and meet at least twice a year, with external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual report and accounts and interim report, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or external auditor of the Company;

- to review the financial controls, internal control and risk management systems of the Company, such risks would include, amongst others, material risks relating to ESG;

- to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, and financial reporting function, as well as those relating to the Company's ESG performance and reporting;

- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- to review the Group's financial and accounting policies and practices;

- to review the management letter of the external auditor, any material queries raised by the external auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;

- to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;

- to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the Company;

- to review arrangements for employees and those who deal with the Company (e.g. customers and suppliers) of the Company to raise concerns, in confidence and anonymity, about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; and

- to act as the key representative body for overseeing the Company's relations with external auditor.

During the year ended 31 December 2024, the Audit Committee has reviewed with the Group's management the principles and practices adopted by the Group, discussed internal control and risk management system, the effectiveness of the Company's internal audit function and financial reporting matters, including a review of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2024 and audited consolidated financial statements of the Company for the year ended 31 December 2023.

Auditor's remuneration and auditor related matters

The statement of the independent auditor of the Company, Ascenda Cachet CPA Limited, regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" on pages 46 to 55 of this report.

Ascenda Cachet CPA Limited provided audit services, other assurance services and other non-assurance services to the Group. During the year ended 31 December 2024, the fees paid/payable for the Group was HK$1,420,000 (2023: HK$1,190,000), of which the fees for the audit services, other assurance services and other non-audit services were HK$1,200,000 (2023: HK$980,000), HK$180,000 (2023: HK$180,000) and HK$40,000 (2023: HK$30,000), respectively.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment or removal of the independent auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the independent auditor of the Company.

Remuneration Committee

A Remuneration Committee has been established with written terms of reference in compliance with the Corporate Governance Code and in line with the Listing Rules requirement. The primary functions of the Remuneration Committee include determining the remuneration packages of individual executive Directors and senior management; reviewing and making recommendation to the Board on the remuneration policy and structure for all Directors and senior management.

The Remuneration Committee comprises three independent non-executive Directors, namely Ms. Chen Mengsi (Committee Chairlady) (who took the vacancy of the deceased Mr. Rong Yi), Ms. Han Yu and Ms. Jia Lixin and one executive Director, namely Mr. Fan Xin.

The Remuneration Committee meets at least once a year and the Remuneration Committee will meet on other occasion when required.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management.

During the year ended 31 December 2024, two Remuneration Committee meeting was held to determine the policy for the remuneration of executive Directors, make recommendations to the Board on the remuneration packages of executive Directors and senior management, review and determine the annual remuneration packages of the Directors, assess the performance of executive Directors and approve the terms of executive Directors' service contracts. Individual attendance of each committee members at the meetings is as follows:

	Number of meetings attended/ eligible to attend
Independent Non-executive Directors	
Ms. Chen Mengsi *(Committee Chairlady) (appointed on 21 January 2025)*	N/A
Ms. Han Yu	2/2
Ms. Jia Lixin	2/2
Mr. Rong Yi *(Committee Chairman until his passing away on 28 December 2024)*	2/2
Executive Directors	
Mr. Fan Xin	2/2

The major roles and functions of the Remuneration Committee are as follows:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;

- to make recommendations to the Board on the remuneration packages of individual Directors and senior management. The remuneration package should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- to make recommendation to the Board on the remuneration of non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;
- to review from time to time as appropriate the terms of reference of the Remuneration Committee and recommend to the Board any necessary changes; and
- to consider other topics or matters, as defined by the Board.

Nomination Committee

A Nomination Committee has been established with written terms of reference in compliance with the Corporate Governance Code and in line with the Listing Rules requirement. The primary functions of the Nomination Committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of independent non-executive Directors.

The Nomination Committee comprises three independent non-executive Directors, namely Ms. Chen Mengsi (who took the vacancy of the deceased Mr. Rong Yi), Ms. Han Yu and Ms. Jia Lixin and one executive Director, namely Mr. Zhao Jingfei (Committee Chairman).

The Nomination Committee meets at least once a year and the Nomination Committee will meet on other occasion when required.

During the year ended 31 December 2024, two Nomination Committee meeting was held to recommend the re-appointment of the Directors standing for re-election at the annual general meeting of the Company, to assess the independence of the independent non-executive Directors and to review and assess the board diversity policy (the "**Board Diversity Policy**") to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the year ended 31 December 2024. Individual attendance of each committee member at the meeting is as follows:

	Number of meetings attended/ eligible to attend
Independent Non-executive Directors	
Ms. Han Yu	2/2
Ms. Jia Lixin	2/2
Ms. Chen Mengsi *(appointed on 21 January 2025)*	N/A
Mr. Rong Yi *(passed away on 28 December 2024)*	1/1
Executive Director	
Mr. Zhao Jingfei *(Committee Chairman)*	2/2

The major roles and functions of the Nomination Committee are as follows:

- to review the structure, size and composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to implement and review the effectiveness of the Board Diversity Policy, as appropriate, recommend any revisions of the Board Diversity Policy to the Board; review the measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving the objectives on a regular basis; and disclose the Board Diversity Policy or a summary of such policy, in particular, the measurable objectives that it has set for implementing the Board Diversity Policy and the progress on achieving the objectives and its review results in the Company's corporate governance report annually;

- develop, review and disclose the policy for nomination of Directors;

- to establish mechanism(s) to ensure independent views and input are available to the Board and disclose such mechanism(s) in its Corporate Governance Report. The Board should review the implementation and effectiveness of such mechanism(s) on an annual basis;

- develop, review and disclose the policy for nomination of directors (the "**Nomination Policy**"), as appropriate, in the Company's corporate governance report annually. The Nomination Policy shall set out, *inter alia*, the nomination procedures, process and criteria to select and recommend candidates for directorship;

- to assess the independence of independent non-executive Directors;

- to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the CEO, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;

- where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

  (i) the process used for identify the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

  (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the board;

(iii) if the proposed independent non-executive director has served more than nine years, why the Board (or the Committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the Committee) in arriving such determination and such further appointment should be subject to a separate resolution to be approved by the shareholders of the Company;

(iv) the perspectives, skills and experience that the individual can bring to the Board; and

(v) how the individual contributes to diversity of the Board.

- Where all the independent non-executive directors of the Company have served more than nine years on the Board, the Company should:

  (i) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and

  (ii) appoint a new independent non-executive director on the Board at the forthcoming annual general meeting.

- to review from time to time as appropriate the terms of reference of the Nomination Committee and recommend to the Board any necessary changes; and

- to consider other topics or matters, as defined by the Board.

<u>Nomination policy</u>

The Nomination Committee adopts the following nomination procedures, process and criteria in selecting and recommending candidates for directorship to the Board.

Selection criteria

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations. Detailed information relating to educational, professional qualifications and relevant work experience are provided at the Board meeting to approve the proposed appointment of new Directors. The criteria for selecting Directors are mainly based on the candidate's qualifications, experience, professional knowledge, ethics and integrity.

Nomination procedures and process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedure and process:

- by giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing directors, advertising, recommendations from independent agency firms, and proposals from shareholders of the Company, with due consideration given to the criteria set out in the section titled "Selection Criteria" above;
- adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- the Board will have the final authority on determining the selection of nominees.

The ultimate decision of Board appointment will be based on reputation and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis and discuss any revisions that might be required, and recommend to the Board for consideration and approval.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company has adopted a set of revised Board Diversity Policy on 31 December 2018 and amended on 30 December 2022 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. A summary of Board Diversity Policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

As at 31 December 2024, the Directors have a balanced mix of knowledge, skills and experience, including the areas of business management, investment, accounting and financial management. They obtained academic diploma, degrees and masters in various majors, including economics, business, management and accounting. The Board comprises 4 executive Directors and 2 independent non-executive Directors, and the male Directors represent approximately 67% of the Board and the female Directors represent approximately 33% of the Board. Furthermore, the Board has a wide range of age, ranging from 29 years old to 52 years old.

Measurable objectives

In terms of implementing the Board Diversity Policy, there are the following measurable objectives:

- to comply with the requirements as specified under the Listing Rules from time to time in relation to composition of the Board;
- the number of independent non-executive Directors appointed must not be less than three and must represent at least one-third of the Board;
- at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and
- must appoint a Director of a different gender on or before the year ended 2024 to avoid single gender board.

As at 31 December 2024, all the measurable objectives under the Board Diversity Policy have been fulfilled.

Monitoring and reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy and the measurable objectives for implementing such policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will also review the progress on achieving these objectives, developing successors to the Board, and the implementation and effectiveness of the Board Diversity Policy on an annual basis. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises nine Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Gender diversity of workforce

Gender diversity at workforce levels (including our senior management) is disclosed in the Company's Environmental, Social and Governance Report 2024.

DIVIDEND POLICY

The Board adopted a dividend policy on 31 December 2018. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

CORPORATE GOVERNANCE FUNCTIONS

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted on 21 March 2012 and revised on 30 December 2022 and is in compliance with paragraph A.2.1 of the CG Code. During the year ended 31 December 2024, the Board has discussed the corporate governance matters including a review of the corporate governance report for the year ended 31 December 2024.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company and ensure those consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors have also ensured the timely publication of the consolidated financial statements of the Company.

The Directors' responsibilities in preparing the consolidated financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report on pages 46 to 55 of this report.

GOING CONCERN

The Group successfully raised approximately HK$9.7 million, being the net proceeds received during the year ended 31 December 2024, by placing of new shares completed on 21 November 2024. However, the Group incurred a substantial loss of approximately HK$17,072,000 during the year and had net current liabilities and deficiency in assets of approximately HK$48,866,000 and HK$62,021,000, respectively, as at 31 December 2024; and the Group had cash and cash equivalents of approximately of HK$829,000 to meet its financial obligations as at 31 December 2024. 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 for the year ended 31 December 2024 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 2024 after taking into account of the measures detailed in note 2.1 to the consolidated financial statements.

The report of the independent auditor of the Company, Ascenda Cachet CPA Limited, for the year ended 31 December 2024, as set out in the "Independent Auditor's Report" on pages 46 to 55 of this report, is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

The Audit Committee had critically reviewed the disclosure by the auditors on the material uncertainty relating to going concern, the management's position and the measures implemented by the Group to address the issue. The Audit Committee is in agreement with the management of the Company with respect to the disclosure by the auditors and the Group's ability to continue as a going concern, and in particular the measures implemented by the management of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining an effective system of internal control to safeguard shareholders' investment and the Company's assets. The internal control system is designed to provide reasonable assurance on the effectiveness and efficiency of operations, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records for producing reliable financial information. The Group adopts a risk management system which manages the risk associated with its business and operations. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The system comprises the following phases:

- Identification: to identify ownership of risks, business objectives and risks that could affect the achievement of objectives;

- Evaluation: to analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly; and

- Management: to consider the risk responses and to ensure effective communication to the Board and on-going monitoring of the residual risks.

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 members. The review covered the adequacy of resources, staff qualifications and experience, training programs, budget, internal audit, financial reporting functions and Listing Rules compliance. Major risk factors and recommendations were presented to the Audit Committee members for their consideration. Appropriate actions have been implemented accordingly to enhance the internal control system of the Group.

In order to maintain a high standard of corporate governance, the Company engaged an independent external consultant with professional staff in possession of relevant expertise to conduct an independent annual review of the risk management systems of the Group during the year. The report has been reviewed and approved by the Board and the Audit Committee. Appropriate actions have been implemented accordingly to enhance the risk management of the Group.

Procedures and internal control for handling and dissemination of inside information

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality covenants will be in place when the Group enters into significant negotiations. In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the Model Code.

- Inside information is announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/cidc/index.htm). The electronic publication system of the Stock Exchange is the first channel of dissemination of the Group's information before any other channel.

Whistleblowing policy

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") in May 2017. The Whistleblowing Policy allows employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in operation, financial reporting or other matters related to the Company. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters. The purpose of the Whistleblowing Policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behavior.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee or the human resource director of the Group. No incident of fraud or misconduct that have material effect on the Group's consolidated financial statements or overall operations for the year ended 31 December 2024 has been discovered.

The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-corruption policy

The Board adopted an anti-corruption policy (the "**Anti-corruption Policy**") in February 2022. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting its business. The Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anticorruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2024. The Board considers that the existing risk management and internal control systems of the Group are effective and adequate.

CORPORATE COMMUNICATION

The Company endeavours to maintain good investor relationship with shareholders and potential investors by way of a number of communication channels including annual general meeting, extraordinary general meeting, publication of interim and annual reports and periodic announcements on the websites of the Company and the Stock Exchange, timely press releases on the Company's website and shareholders of the Company may also direct their questions regarding their shareholding to the Company's Hong Kong share registrar. A shareholder's communication policy was adopted by the Board on 21 March 2012 and amended on 30 December 2022 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meeting for which a notice would be served in accordance with the Articles. Shareholders can raise questions and comments on the performance and future direction of the Company and exchange their views with the Board and the Chairman and/or Directors are available to answer questions on the Group's business at the general meeting. At the general meeting, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

The Company considers that the implementation of its shareholder communication policy was effective during the year ended 31 December 2024.

Under the Code Provision F.2.2 of the CG Code, the Chairman should attend the annual general meeting and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Zhao Jingfei (chairman of the Board and chairman of the nomination committee at the time of annual general meeting) was unable to attend the annual general meeting of the Company held on 4 June 2024 due to his personal health reason. All other committee chairmen and members of the audit, remuneration and nomination committee who attended the annual general meeting and were of sufficient calibre for answering question at the annual general meeting.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Shareholders' communication policy. The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office and principal place of business in Hong Kong at Level 26, 39 Queen's Road Central, Central, Hong Kong.

SHAREHOLDERS' RIGHT

Procedures for shareholders to convene an extraordinary general meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at the general meetings of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 58 of the Articles. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the Company's head office and principal place of business in Hong Kong at Level 26, 39 Queen's Road Central, Central, Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at the general meeting of the Company by sending the same to the Company at the head office of the Company in Hong Kong.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Articles, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the general meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such extraordinary general meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for putting forward proposals at a general meeting

A shareholder shall make a written requisition to the Board or the company secretary at the Company's head office and principal place of business at Level 26, 39 Queen's Road Central, Central, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at the general meeting regarding any specified transaction/business and its supporting documents.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary at the Company's head office and principal place of business at Level 26, 39 Queen's Road Central, Central, Hong Kong or send email to cosec@hkmorton.com.

Shareholders may also make enquiries with the Board at the general meeting of the Company.

COMPANY SECRETARY

Mr. Chan Tsang Mo was appointed as the company secretary of the Company. The company secretary is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regard to them when making decisions. The company secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. During the year ended 31 December 2024, Mr. Chan undertook not less than 15 hours of professional training to update his skills and knowledge.

The primary corporate contact person at the Company is Mr. Zhao Jingfei, an executive Director and the Chairman of the Board.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there was no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 7 and pages 8 to 11 of this report, respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including currency risk, interest rate risk, credit risk and liquidity risk. The financial risk management policies and practices of the Group are shown in note 31 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

For the year ended 31 December 2024, the Group was not subject to any environmental penalty. Details of the environmental, social and governance performance of the Group are set out in the environment, social and governance report which will be published on both the websites of the Company and the Stock Exchange.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The indirect wholly owned subsidiary, Sun Ray Manufactory, Limited (the "**Tenant**") had entered into a tenancy agreement on 12 July 2024 to lease (the "**Lease**") premises in Kwai Chung, Hong Kong as its operation office premises and warehouse. Pursuant to HKFRS 16, the entering into of the tenancy agreement by the Tenant will require the Group to recognise the right-of-use asset in its consolidated statement of financial position. Therefore, the entering into of the tenancy agreement will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

Due to an inadvertent oversight of the implementation of HKFRS 16 in relation to the Lease, the Company was unable to timely comply with the announcement requirement for the Lease under Chapter 14 of the Listing Rules. As such, the Company has published announcement in relation to the Lease on 9 August 2024.

The Company deeply regrets its non-compliance of the Listing Rules when entering into the tenancy agreement. In order to prevent recurrence of incidents of non-compliance with the Listing Rules in the future, the Company will adopt the following remedial measure:

(i) provide further guidance and training to responsible staff in relation to the identification of notifiable transactions under the Listing Rules and emphasise the importance of proper computation of the size tests prior to the execution of a transaction;

(ii) further strengthen the internal control and reporting procedures of the Group, to ensure any proposed transactions which may constitute notifiable transactions would be promptly reported to the Board and senior management of the Company; and

(iii) promptly seek legal advice in relation to proposed transactions before entering into the relevant agreements.

Following the passing away of Mr. Rong Yi (being an independent non-executive Director) on 28 December 2024, the Board comprised six Directors, including four executive Directors and two independent non-executive Directors. The Company did not meet the minimum number of independent non-executive directors as required under Rule 3.10(1) of the Listing Rules. Such non-compliance was remedied after the appointment of Ms. Chen Mengsi as an independent non-executive Director on 21 January 2025.

Under Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members. Following the passing away of Mr. Rong Yi on 28 December 2024, the composition of the Audit Committee did not meet the requirement of Rule 3.21 of the Listing Rules. Such non-compliance was remedied after the appointment of Ms. Chen Mengsi as a member of the Audit Committee on 21 January 2025.

Save as disclosed above, there was no other material breach of or non-compliance with the applicable laws and regulations by the Group during the year ended 31 December 2024.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the year ended 31 December 2024, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

During the year ended 31 December 2024, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 56 to 123 of this report.

The Directors do not recommend any payment of final dividend to shareholders for the year ended 31 December 2024.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity on page 58 of this report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

There were no distributable reserves of the Company as at 31 December 2024. Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the memorandum and articles of association of the Company and no distribution or dividend may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's memorandum and articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

BANK LOANS AND OVERDRAFTS

The Group did not have bank loans and overdrafts as at 31 December 2024.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124 of this report.

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 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors of the Group are set out on pages 12 to 14 of this report.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report were:

Executive Directors

Mr. Zhao Jingfei *(Chairman)*
Mr. Fan Xin *(Chief Executive Officer)*
Mr. Qin Bohan
Mr. Leung Wai Kit *(appointed on 5 July 2024)*
Mr. Chiang Chien Chih *(appointed on 14 January 2025)*
Mr. Ying Yong *(appointed on 14 January 2025)*

Independent Non-executive Directors

Ms. Han Yu
Ms. Jia Lixin
Ms. Chen Mengsi *(appointed on 21 January 2025)*
Mr. Rong Yi *(passed away on 28 December 2024)*

Pursuant to article 84(1) of the Articles, each of Mr. Zhao Jingfei, Mr. Qin Bohan and Ms. Jia Lixin will retire from office as Directors at the forthcoming annual general meeting of the Company. Mr. Zhao Jingfei, Mr. Qin Bohan and Ms. Jia Li Xin being eligible, will offer themselves for re-election.

Pursuant to article 84(1) of the Articles, Mr. Leung Wai Kit, Mr. Chiang Chien Chih, Mr. Ying Yong and Ms. Chen Mengsi shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election. Mr. Leung Wai Kit, Mr. Chiang Chien Chih, Mr. Ying Yong and Ms. Chen Mengsi, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Details of service agreements or letters of appointment entered into by the Company with the Directors are as follows:

Each of the current executive Directors entered into service agreement with the Company for a term of three years, and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of his/her appointment until terminated in accordance with the provisions under the service agreement. Each of the current executive Directors is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Each of the current independent non-executive Directors entered into a letter of appointment with the Company for an initial term of three years, and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of his/her appointment until terminated in accordance with the provisions under the letter of appointment. Each of the current independent non-executive Directors is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Save as aforesaid, no Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in note 8 to the consolidated financial statements. Other than the waived fees disclosed in note 8(a) to the consolidated financial statements, there has been no arrangement under which any Director has waived or agreed to waive any emoluments during the year.

EMOLUMENT POLICY

The emoluments of the Directors and a state-managed retirement benefit scheme are recommended by the Remuneration Committee for the Board approval, having regard to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions, to determine the emoluments of the Directors during the year.

PENSION SCHEME

In the PRC, the Group contributes to a state-managed retirement benefit scheme on a monthly basis for its employees. The Group has no further obligation for payment of post retirement benefits to employees beyond the aforesaid contributions made by the Group.

The Group also participates in mandatory provident fund scheme (the "**MPF Scheme**") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee. Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are each capped at HK$1,500 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

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 2024 and up to the date of this report.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save as disclosed in this report, there were no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, holding companies and fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2024.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 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 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 contained in the Listing Rules, were as follows:

(I) Interest in the Company

Long positions in 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 (Note)	256,024,406	60.57%

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..

(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 31 December 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as known to the Directors, as at 31 December 2024, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or debentures of the Company which were required to be 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	60.57%

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or debentures of the Company which were required to be 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 31 December 2024 and no share option of the Company was granted, exercised, lapsed or cancelled during the year ended 31 December 2024.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2024, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2024.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2024 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	19.6%
– five largest suppliers combined	53.0%
Sales	
– the largest customer	35.7%
– five largest customers combined	87.1%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and Code Provisions set out in 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 year ended 31 December 2024 except for the deviation from the Code Provision D.2.5 in respect of having the internal audit function. Details are set out in the section headed "Corporate Governance Report" on pages 15 to 36 of this report.

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 report, 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.

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 Ms. Cheng Mengsi. 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 2024.

SUBSIDIARIES

Particulars of Company's subsidiaries as at 31 December 2024 are set out in note 1 to the consolidated financial statements.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this report, there were (i) no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor (ii) any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2024.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the related party transactions of the Group are set out in note 25 to the consolidated financial statements. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the year ended 31 December 2024.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company's securities.

On behalf of the Board

Zhao Jingfei
Chairman

Hong Kong, 31 March 2025

INDEPENDENT AUDITOR'S REPORT

Ascenda CACHET
天健德揚

10/F Tien Chu Commercial Building
173 Gloucester Road
Wanchai, Hong Kong

TO THE MEMBERS OF CHINA INTERNATIONAL DEVELOPMENT CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China International Development Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 56 to 123, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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$17,072,000 for the year and had net current liabilities and deficiency in assets of approximately HK$48,866,000 and HK$62,021,000, respectively, as at 31 December 2024; and (ii) the Group had cash and cash equivalents of approximately of HK$829,000 to meet its financial obligations as at 31 December 2024. 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN (CONTINUED)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the directors of the Company (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 2024 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 2024 until the Company is in a position to do so. The loan 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. Pursuant to a supplemental agreement dated 25 March 2025, the expiry date of the Director Facility has been further extended to 27 August 2027. As at 31 December 2024 and the date of approving the consolidated financial statements, none of the Director Facility has been utilised.

(iii) 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$21,201,000 in aggregate, collectively the "**Shareholder Loans**") as at 31 December 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$16,431,000 in aggregate) are repayable in 2026 while the remaining loans of RMB4,500,000 (equivalent to approximately HK$4,770,000) are due in 2025 (the "**2025 Due Loans**"). Subsequent to the end of the reporting period on 10 March 2025, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2025 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 to 27 May 2026. As at 31 December 2024 and the date of approving the consolidated financial statements, none of the Shareholder Facility has been utilised.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN (CONTINUED)

(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$11,470,000 as at 31 December 2024 until the Group is in a position to do so. Mr. Zhao has also confirmed his willingness to further provide 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 businesses for at least 12 months from 31 December 2024.

(vi) The Company entered into a loan facility agreement with an independent third party ("**Lender A**") on 26 March 2024, pursuant to which, Lender A granted a loan facility up to HK$40,000,000 (the "**2024 External Financing Facility**") to the Company for a period up to 1 July 2025. Any amounts drawn down under the 2024 External Financing Facility will bear interest at 20% per annum and is unsecured. As at 31 December 2024 and the date of approving the consolidated financial statements, none of the 2024 External Financing Facility has been utilised.

(vii) The Company entered into another loan facility agreement with another independent third party ("**Lender B**") subsequent to the end of the reporting period on 28 March 2025, pursuant to which, Lender B granted a loan facility up to HK$40,000,000 (the "**2025 External Financing Facility**") to the Company for a term of 18 months. Any amounts drawn down under the 2025 External Financing Facility will bear interest at 28% per annum and unsecured. As at the date of approving the consolidated financial statements, none of the 2025 External Financing Facility has been utilised.

(viii) The Group successfully completed the placing of 10,012,000 new shares on 21 November 2024, raising net proceeds of approximately HK$9,776,000 (the "**2024 Placing**"). Further to the completion of the 2024 Placing, subsequent to the end of the reporting period, on 18 March 2025, the Group further successfully completed another placing of 9,024,000 new shares at a placing price of HK$1.78 per share, raising net proceeds of approximately HK$15,620,000. Building on these successful fund raising experiences and connections of the management in capital market, the Directors consider that the Group will and is able to seek for alternative capital and other funding sources on an ongoing basis.

(ix) The Group has expanded its business into the provision of automobile services by setting up a joint venture with a strategic partner during the year ended 31 December 2024. As announced on 19 March 2025, the Group has formulated certain business strategies and plans in order to improve the Group's principal businesses and thus its financial performance. In addition, the Group remains committed to implement stringent cost management measures with continuous efforts to optimise operational efficiency and minimise the cash outflow of non-essential items. The Directors consider that the business strategies, plans and cost management measures, if materialised, could improve the Group's revenue, financial performance and financial position.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN (CONTINUED)

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 2024 and 2025 External Financing Facility and to result in favourable outcome from the business strategies, plans and cost management measures devised by the Directors, 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

1. *Impairment assessment of the Group's property, plant and equipment*

Reference is made to notes 2.4(c) and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, respectively and note 12 to the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
Included in the Group's property, plant and equipment ("**PPE**") were property, plant and equipment in relation to its leather manufacturing business (the "**Manufacturing PPE**") with nil carrying amount after accumulated impairment of approximately HK$2,927,000 as at 31 December 2024. The Manufacturing PPE had also been fully impaired in 2023. PPE are written down to their recoverable amounts if their carrying amounts are higher than the recoverable amounts. The recoverable amounts of the PPE were determined by the value in use of the PPE by using the discounted cashflow projections in the relevant valuations. For the purpose of performing the impairment assessment of the Manufacturing PPE, the Directors assessed the recoverable amounts of the Manufacturing PPE with reference to a valuation (the "**Manufacturing VIU Valuation**") prepared by an independent valuer (the "**Valuer**"). Significant management judgement and estimation was used to determine the key assumptions underlying the discounted cashflow projections, including the growth rates, gross profit margin, discount rate and future business plan. Based on the impairment assessment with reference to the Manufacturing VIU Valuation, no further provision or write-back of impairment of the Manufacturing PPE was considered necessary for the year ended 31 December 2024. For the above reasons, we identified the impairment assessment of the Manufacturing PPE as a key audit matter.	Our procedures in relation to management's assessment of the impairment of the Group's Manufacturing PPE included: – Discussing with management and the Valuer to understand the basis of valuation approach and methodology used in the cashflow forecasts, the Manufacturing VIU Valuation; – Challenging the management and the Valuer on the adoption of the assumptions and estimations in the cashflow forecasts, the Manufacturing VIU valuation; – Evaluating the independence, professionalism and accuracy of the work performed by the Valuer; – Evaluating the reasonableness and appropriateness of the cashflow forecasts, the Manufacturing VIU Valuation and the assumptions, information and parameters used in the models, including the growth rates, gross profit margin, discount rate and future business plan used by the management and the Valuer in assessing the recoverable amounts of the Manufacturing PPE; and – Recalculating the recoverable amounts of the Manufacturing PPE and assessing the sufficiency of the accumulated impairment, if any, as at 31 December 2024.

KEY AUDIT MATTERS (CONTINUED)

2. Impairment assessment of the Group's right-of-use assets

Reference is made to notes 2.4(d) and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, respectively and note 22(a) to the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
Included in the Group's right-of-use assets ("**ROA**") were ROA in relation to the leather manufacturing business ("**Manufacturing ROA**") with nil carrying amounts after accumulated impairment of approximately HK$5,450,000 as at 31 December 2024. ROA are written-down to their recoverable amounts if their carrying amounts are higher than the recoverable amounts. The recoverable amounts of the Manufacturing ROA were primarily determined by the value in use of the Manufacturing ROA by using the discounted cashflow projections in the valuations. For the purpose of performing the impairment assessment of the Manufacturing ROA, the Directors assessed the recoverable amounts of the Manufacturing ROA with reference to the Manufacturing VIU Valuation prepared by the Valuer. Significant management judgement and estimation was used to determine the key assumptions underlying the discounted cashflow projections, including the growth rates, gross profit margin, discount rate and future business plan. Based on the impairment assessment with reference to the Manufacturing VIU Valuation, the Group provided an additional impairment of the Manufacturing ROA of approximately HK$1,553,000 for the year ended 31 December 2024. For the above reasons, we identified the impairment assessment of the Manufacturing ROA as a key audit matter.	Our procedures in relation to management's assessment of the impairment of the Group's Manufacturing ROA included: – Discussing with management and the Valuer to understand the basis of valuation approach and methodology used in the cashflow forecasts, the Manufacturing VIU Valuation; – Challenging the management and the Valuer on the adoption of the assumptions and estimations in the cashflow forecasts, the Manufacturing VIU Valuation; – Evaluating the independence, professionalism and accuracy of the work performed by the Valuer; – Evaluating the reasonableness and appropriateness of the cashflow forecasts, the Manufacturing VIU Valuation and the assumptions, information and parameters used in the models, including growth rates, gross profit margin, discount rate and future business plan used by the management and/or the Valuer in assessing the recoverable amounts of the Manufacturing ROA; and – Recalculating the recoverable amounts of the Manufacturing ROA and assessing the sufficiency of the accumulated impairment, if any, as at 31 December 2024.

KEY AUDIT MATTERS (CONTINUED)

3. *Loss allowance for impairment of trade receivables*

Reference is made to notes 2.4(e) and 3 to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates, respectively and note 14 to the consolidated financial statements for further information.

The Key Audit Matter	How our audit was addressed in the Key Audit Matter
The carrying amount of the Group's trade receivables was approximately HK$5,298,000 (net of accumulated impairment of HK$2,051,000) as at 31 December 2024. The Group has applied the simplified approach for determining the expected credit loss ("**ECL**") on trade receivables, which are assessed individually for customers which are credit impaired and collectively using a provision matrix. For the purpose of assessment of the ECL, the Directors engaged the Valuer to perform a valuation (the "**ECL Valuation**") regarding ECL allowance for impairment of trade receivables based on management's assumptions. Significant management judgement and estimation was used to determine the key assumptions underlying the ECL Valuation, including (i) the historical loss rates; and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL Valuation. The Group calibrates the matrix to adjusting the historical credit loss experience with forward-looking factors. Based on the ECL Valuation, the Group provided ECL allowance for impairment of trade receivables of approximately HK$880,000 for the year ended 31 December 2024. For the above reasons, we identified the ECL allowance for impairment of trade receivables as a key audit matter.	Our procedures in relation to the management's assessment of the ECL allowance for impairment of the Group's trade receivables included: – Discussing with the management and the Valuer to understand the basis of approach and methodology of the ECL Valuation; – Challenging the management and the Valuer on the adoption of the assumptions and estimations in the ECL Valuation; – Evaluating the independence, professionalism and accuracy of the work performed by the Valuer; – Evaluating the reasonableness and appropriateness of the ECL Valuation and the assumptions, information and parameters used in the model, including the historical loss rates and forward-looking factors; – Checking the information used by the management and the Valuer to develop the provision matrix including ageing analysis of trade receivables, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; – Checking settlements subsequent to the end of the reporting period relating to the trade receivables as at 31 December 2024 on a sample basis; and – Recalculating the ECL allowance for impairment of trade receivables, and assessing the sufficiency of the ECL allowance, if any, as at 31 December 2024.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Chan Yuk Tong.

Ascenda Cachet CPA Limited
Certified Public Accountants
Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	5	**21,961**	30,298
Cost of sales		**(15,360)**	(24,617)
Gross profit		**6,601**	5,681
Other income	5	**288**	179
Other losses	7(b)	**(1,553)**	(8,162)
Selling and distribution costs		**(1,910)**	(3,002)
Administrative and other operating expenses		**(16,516)**	(19,359)
(Provision for)/write-back of impairment of trade receivables	14	**(880)**	17
Provision for impairment of other receivables	15	**(11)**	(64)
Finance costs	6	**(3,091)**	(2,931)
Loss before tax	7(a)	**(17,072)**	(27,641)
Income tax expense	9	**–**	(268)
Loss for the year		**(17,072)**	(27,909)
Loss attributable to:			
Owners of the Company		**(17,062)**	(27,909)
Non-controlling interests		**(10)**	–
		(17,072)	(27,909)
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		**34**	177
Other comprehensive income for the year		**34**	177
Total comprehensive income for the year		**(17,038)**	(27,732)
Attributable to:			
Owners of the Company		**(17,028)**	(27,732)
Non-controlling interests		**(10)**	–
		(17,038)	(27,732)
Loss per share attributable to owners of the Company			
– Basic and diluted	11	**HK(4.1) cents**	HK(7.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	12	**–**	–
Right-of-use assets	22(a)	**–**	–
Deposits paid	15	**–**	781
Total non-current assets		**–**	781
Current assets			
Inventories	13	**2,010**	4,594
Trade receivables	14	**5,298**	5,528
Prepayments, deposits and other receivables	15	**2,741**	2,133
Cash and cash equivalents	16	**829**	997
Total current assets		**10,878**	13,252
Current liabilities			
Trade payables	17	**4,766**	3,100
Other payables and accruals	18	**25,186**	23,977
Due to ultimate controlling shareholder	19	**11,470**	10,897
Due to a director	19	**307**	–
Due to a related company	19	**1,600**	1,654
Loan from a director	20	**8,000**	8,000
Loans from ultimate controlling shareholder	21	**4,458**	15,604
Lease liabilities	22(b)	**3,957**	3,151
Total current liabilities		**59,744**	66,383
Net current liabilities		**(48,866)**	(53,131)
Total assets less current liabilities		**(48,866)**	(52,350)
Non-current liabilities			
Loans from ultimate controlling shareholder	21	**12,768**	3,913
Lease liabilities	22(b)	**387**	3,062
Total non-current liabilities		**13,155**	6,975
Net liabilities		**(62,021)**	(59,325)
Deficiency in assets			
Attributable to the owners of the Company			
Share capital	23	**4,227**	4,127
Reserves	24	**(66,238)**	(63,452)
		(62,011)	(59,325)
Non-controlling interests		**(10)**	–
Total deficiency in assets		**(62,021)**	(59,325)

On behalf of the Board

Zhao Jingfei
Executive Director

Fan Xin
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company								
	Share capital HK$'000 (note 23)	Share premium HK$'000 (note 24(i))	Capital reserve HK$'000 (note 24(ii))	Translation reserve HK$'000 (note 24(iii))	Statutory and discretionary reserves HK$'000 (note 24(iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 January 2023	3,827	77,760	4,525	3,181	5,249	(140,558)	(46,016)	–	(46,016)
Loss for the year	–	–	–	–	–	(27,909)	(27,909)	–	(27,909)
Exchange differences arising on translation of operations outside Hong Kong	–	–	–	177	–	–	177	–	177
Total comprehensive income for the year	–	–	–	177	–	(27,909)	(27,732)	–	(27,732)
Issue of shares (note 23)	300	13,200	–	–	–	–	13,500	–	13,500
Share issue expenses (note 23)	–	(489)	–	–	–	–	(489)	–	(489)
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	–	–	1,412	–	–	–	1,412	–	1,412
At 31 December 2023 and 1 January 2024	**4,127**	**90,471**	**5,937**	**3,358**	**5,249**	**(168,467)**	**(59,325)**	**-**	**(59,325)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(17,062)**	**(17,062)**	**(10)**	**(17,072)**
Exchange differences arising on translation of operations outside Hong Kong	**-**	**-**	**-**	**34**	**-**	**-**	**34**	**-**	**34**
Total comprehensive income for the year	**-**	**-**	**-**	**34**	**-**	**(17,062)**	**(17,028)**	**(10)**	**(17,038)**
Issue of shares (note 23)	**100**	**10,112**	**-**	**-**	**-**	**-**	**10,212**	**-**	**10,212**
Share issue expenses (note 23)	**-**	**(436)**	**-**	**-**	**-**	**-**	**(436)**	**-**	**(436)**
Capital injections made to a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-***	**-***
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	**-**	**-**	**4,566**	**-**	**-**	**-**	**4,566**	**-**	**4,566**
At 31 December 2024	**4,227**	**100,147**	**10,503**	**3,392**	**5,249**	**(185,529)**	**(62,011)**	**(10)**	**(62,021)**

* Amount less than HK$1,000 presented as nil due to rounding down

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Loss before tax		**(17,072)**	(27,641)
Adjustments for:			
Interest income	5	**(1)**	(2)
Finance costs	6	**3,091**	2,931
Depreciation of property, plant and equipment	7(a) & 12	**–**	1,373
Depreciation of right-of-use assets	7(a) & 22(a)	**128**	2,748
Impairment of right-of-use assets	7(b) & 22(a)	**1,553**	5,198
Impairment of property, plant and equipment	7(b) & 12	**–**	2,964
Provision for/(write-back of) impairment of trade receivables	14	**880**	(17)
Provision for impairment of other receivables	15	**11**	64
Write-back of other payables	5	**(20)**	(107)
Provision for onerous short-term lease contracts	7(a) & 22(c)	**1,755**	675
Operating loss before working capital changes		**(9,675)**	(11,814)
Decrease in inventories		**2,584**	1,124
(Increase)/decrease in trade receivables		**(650)**	2,432
Decrease/(increase) in prepayments, deposits and other receivables		**162**	(404)
Increase/(decrease) in trade payables		**1,666**	(3,932)
(Decrease)/increase in other payables and accruals		**(526)**	1,727
Cash used in operations		**(6,439)**	(10,867)
Income tax paid		**–**	–
Net cash used in operating activities		**(6,439)**	(10,867)
Cash flows from investing activities			
Additions to property, plant and equipment	12	**–**	(71)
Proceeds from disposal of property, plant and equipment		**–**	11
Interest received		**1**	2
Net cash used in investing activities		**1**	(58)
Cash flows from financing activities	27(b)		
Advances from a director		**307**	–
Advances from ultimate controlling shareholder		**573**	1,762
Payment of principal portion of lease liabilities		**(3,418)**	(4,522)
Payment of interest portion of lease liabilities		**(588)**	(830)
Proceeds from issue of shares	23	**10,212**	13,500
Share issue expenses	23	**(436)**	(489)
Net cash from financing activities		**6,650**	9,421
Net increase/(decrease) in cash and cash equivalents		**212**	(1,504)
Cash and cash equivalents at beginning of year		**997**	2,495
Effect of exchange rate changes on cash and cash equivalents		**(380)**	6
Cash and cash equivalents at end of year			
Represented by cash and bank balances	16	**829**	997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

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**"). During the year, the Group has expanded its business into the provision of automobile services (the "**Automobile Services 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.

Information about subsidiaries

Details of the Company's subsidiaries as at 31 December 2024 are as follows:

Name	Place of incorporation or establishment/ operations	Issued share capital/Paid-up registered capital	Attributable equity interest held by the Company# Directly	Indirectly	Principal activities
Sun Ray Manufactory, Limited	Hong Kong	Non-voting deferred shares HK$6 Ordinary shares HK$2	–	100%	Trading of leather products
Elite Leatherware Company Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Trading of leather products and retail of leather accessories
Talent Union Development Limited (note (a))	The BVI/ Hong Kong	Ordinary shares US$8	–	100%	Investment holding
東莞藝聯皮具有限公司 Dongguan Ngai Luen Leather Goods Company Limited (note (a))	The People's Republic of China (the "**PRC**")	Paid up registered capital HK$5,600,000	–	100%	Manufacturing and trading of leather products

1. GENERAL (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ operations	Issued share capital/Paid-up registered capital	Attributable equity interest held by the Company# Directly	Indirectly	Principal activities
東莞思捷皮具有限公司 Dongguan Sze Cheik Leather Goods Company Limited (note (a))	The PRC	Paid up registered capital HK$5,000,000	–	100%	Manufacturing and trading of leather products
雲南貴素商貿有限公司 (note (a))	The PRC	Registered capital HK$21,768,600 Paid up capital Nil	100%	–	Investment holding
雲南貴素生物科技有限公司 (note (a))	The PRC	Registered capital RMB19,880,000 Paid up capital Nil	–	100%	Industrial hemp planting and hemp fabric product production
Urban Stranger Company Limited	Hong Kong	Ordinary shares HK$1	–	100%	Retail of fashion apparel, footwear and leather accessories
Elite Ascent Investments Limited (note (a))	The BVI/ Hong Kong	Ordinary shares US$1	100%	–	Inactive
Grandeur Smart Enterprises Limited (note (a))	The BVI/ Hong Kong	Ordinary shares US$1,000	100%	–	Inactive
Straight Runway Limited (notes (a) & (b))	The BVI/ Hong Kong	Ordinary shares US$100	100% (2023: nil)	–	Investment holding
Straight Runway Enterprises Limited (notes (a) & (b))	Hong Kong	Ordinary shares HK$100	–	100% (2023: nil)	Investment holding
Flex Fuel Eco Company Limited (notes (a) & (b))	Hong Kong	Ordinary shares HK$100	–	51% (2023: nil)	Provision of automobile services

1. GENERAL (CONTINUED)

Information about subsidiaries (Continued)

Notes:

(a) Ascenda Cachet CPA Limited is not the statutory auditor of these subsidiaries.

(b) These subsidiaries were newly incorporated during the year ended 31 December 2024.

(c) 東莞領鋭企業運營管理有限公司, a wholly owned indirect subsidiary of the Company, was dissolved on 17 October 2024.

(d) Chanco International Holding Limited, a wholly owned subsidiary of the Company, was struck off on 1 November 2024.

(e) Amid Success Holding Limited, a wholly owned indirect subsidiary of the Company, was struck off on 1 November 2024.

All the percentages of equity attributable to the Company remain unchanged from the previous year except when otherwise indicated.

None of the subsidiaries had any debt securities subsisting at the end of respective reporting periods or at any time during the year.

2. ACCOUNTING POLICIES

2.1 Basis of preparation and consolidation

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 (i) incurred a substantial loss of approximately HK$17,072,000 for the year ended 31 December 2024 and had net current liabilities and deficiency in assets of approximately HK$48,866,000 and HK$62,021,000, respectively, as at 31 December 2024; and (ii) had cash and cash equivalents of approximately of HK$829,000 to meet its financial obligations as at 31 December 2024. 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation and consolidation (Continued)

Basis of preparation (Continued)

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 2024 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 2024 until the Company is in a position to do so. The loan 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. Pursuant to a supplemental agreement dated 25 March 2025, the expiry date of the Director Facility has been further extended to 27 August 2027. As at 31 December 2024 and the date of approving the consolidated financial statements, none of the Director Facility has been utilised.

(iii) 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$21,201,000 in aggregate, collectively the "**Shareholder Loans**") as at 31 December 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$16,431,000 in aggregate) are repayable in 2026 while the remaining loans of RMB4,500,000 (equivalent to approximately HK$4,770,000) are due in 2025 (the "**2025 Due Loans**"). Subsequent to the end of the reporting period on 10 March 2025, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2025 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 to 27 May 2026. As at 31 December 2024 and the date of approving the consolidated financial statements, none of the Shareholder Facility has been utilised.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 *Basis of preparation and consolidation (Continued)*

Basis of preparation (Continued)

(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$11,470,000 as at 31 December 2024 until the Group is in a position to do so. Mr. Zhao has also confirmed his willingness to further provide 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 businesses for at least 12 months from 31 December 2024.

(vi) The Company entered into a loan facility agreement with an independent third party ("**Lender A**") on 26 March 2024, pursuant to which, Lender A granted a loan facility up to HK$40,000,000 (the "**2024 External Financing Facility**") to the Company for a period up to 1 July 2025. Any amounts drawn down under the 2024 External Financing Facility will bear interest at 20% per annum and is unsecured. As at 31 December 2024 and the date of approving the consolidated financial statements, none of the 2024 External Financing Facility has been utilised.

(vii) The Company entered into another loan facility agreement with another independent third party ("**Lender B**") subsequent to the end of the reporting period on 28 March 2025, pursuant to which, Lender B granted a loan facility up to HK$40,000,000 (the "**2025 External Financing Facility**") to the Company for a term of 18 months. Any amounts drawn down under the 2025 External Financing Facility will bear interest at 28% per annum and unsecured. As at the date of approving the consolidated financial statements, none of the 2025 External Financing Facility has been utilised.

(viii) The Group successfully completed the placing of 10,012,000 new shares on 21 November 2024, raising net proceeds of approximately HK$9,776,000 (the "**2024 Placing**"). Further to the completion of the 2024 Placing, subsequent to the end of the reporting period, on 18 March 2025, the Group further successfully completed another placing of 9,024,000 new shares at a placing price of HK$1.78 per share, raising net proceeds of approximately HK$15,620,000. Building on these successful fund raising experiences and connections of the management in capital market, the Directors consider that the Group will and is able to seek for alternative capital and other funding sources on an ongoing basis.

(ix) The Group has expanded its business into the provision of automobile services by setting up a joint venture with a strategic partner during the year ended 31 December 2024. As announced on 19 March 2025, the Group has formulated certain business strategies and plans in order to improve the Group's principal businesses and thus its financial performance. In addition, the Group remains committed to implement stringent cost management measures with continuous efforts to optimise operational efficiency and minimise the cash outflow of non-essential items. The Directors consider that the business strategies, plans and cost management measures, if materialised, could improve the Group's revenue, financial performance and financial position.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 *Basis of preparation and consolidation (Continued)*

Basis of preparation (Continued)

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 2024 and 2025 External Financing Facility and to result in favourable outcome from the business strategies, plans and cost management measures devised by the Directors, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2024. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation and consolidation (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interests and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

(b) (Continued)

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's consolidated financial statements.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 *Effective for annual periods beginning on or after 1 January 2025*
2 *Effective for annual periods beginning on or after 1 January 2026*
3 *Effective for annual/reporting periods beginning on or after 1 January 2027*
4 *No mandatory effective date yet determined but available for adoption*

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 *Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

2.4 Material accounting policies

(a) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of corporate assets (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(b) Related parties

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and.

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value, as follows:

Plant and machinery	30% using reducing balance method
Furniture and fixtures	10%–20% using reducing balance method
Leasehold improvements	Annual rates as determined by shorter of expected useful lives and the unexpired period of the leases, using straight line method
Motor vehicles	30% using reducing balance method

The annual rates, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 *Material accounting policies (Continued)*

(d) *Leases*

The Group assesses at contract inception whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases which at the commencement date have a lease term no more than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Depreciation is calculated using the shorter of the lease terms and the estimated useful lives of the assets on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(d) Leases (Continued)

Group as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(e) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(e) Investments and other financial assets (Continued)

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(e) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. ACCOUNTING POLICIES (CONTINUED)

2.4 *Material accounting policies (Continued)*

(e) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(f) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to a director, the ultimate controlling shareholder and a related company and loans from a director and the ultimate controlling shareholder.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 *Material accounting policies (Continued)*

(f) Financial liabilities (Continued)

Subsequent measurement

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at bank, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for all purpose of meeting short-term cash commitments.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 *Material accounting policies (Continued)*

(h) Cash and cash equivalents (Continued)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's management.

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 *Material accounting policies (Continued)*

(i) Revenue recognition (Continued)

i. Sale of goods

Revenue from sale of leather products is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by customers. For retail of fashion apparel, footwear and leather accessories, revenue is recognised when the customer has taken possession of and accepted the goods. For trading of automobile leather goods, revenue is recognised when the goods are delivered and the customers accepted the goods. The corresponding trade receivable or cash received are recognised in the consolidated financial statements as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days for sale of leather products. For certain customers such as new customers, deposits paid in advance are required before goods are delivered. No credit term is granted to customers from retail of fashion apparel, footwear and leather accessories and cash or credit card payment is required upon goods received by customers.

The Group's contracts with customers from the Leather Manufacturing Business generally do not provide customers a right of return (a right to exchange another product or right to refund in cash). Customers from the Leather Retail Business are allowed customers to exchange for another product within 7 days after the sale, while cash is not refundable. However, from past experience, return of products seldom occurs as goods sold to customers generally meet the objective specifications required by customers or the customers have accepted the goods when they have taken possession of the goods and made payments. Any necessary costs incurred in replacement or rectification of defective goods sold are insignificant to the consolidated financial statements. No warranty is provided by the Group for goods sold to customers.

The Group gives certain on-spot discount on selling price to those customers from the Leather Retail Business who purchased over a specific amount in a single transaction and revenue was recognised after netting-off with sales discounts. The discounts are offered immediately to the eligible sale transaction and are not allowed to be carried forward to future purchases by the customer.

ii. Services income

Revenue from provision of automobile services is recognised at a point in time when the related services have been rendered to the customers.

iii. Interest income

Interest income is recognised as it accrues using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(j) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(k) Income taxes

Income taxes comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(k) Income taxes (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxable entity on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 *Material accounting policies (Continued)*

(l) Foreign currency

These consolidated financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss are translated into HK$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in the consolidated statement of comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

(m) Employee benefits

i. Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

ii. Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

iii. Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for inventories

The Group carries out an inventory review at the end of each reporting period and estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions as well as make allowance for obsolete and slow-moving inventories. Such estimates could change significantly as a result of changes in economic conditions and customers taste. Where the subsequent estimated net realisable value and/or allowance for obsolete and slow-moving inventories differs from the original estimate, a provision or reversal of provision may be material.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Impairment loss on trade receivables

The assessment of impairment losses on financial assets measured at amortised cost is performed based on expected credit losses ("**ECLs**") model as detailed in the accounting policies and note 2.4(e) to the consolidated financial statements.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical loss rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking factors. At each reporting date, the historical loss rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical loss rates, forecast economic conditions and ECLs is a significant estimate. Any change in the estimates, assumptions and inputs adopted in the assessment would increase or decrease the impairment losses for the year and affect the Group's net asset value. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 14 to the consolidated financial statements.

Estimation of the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. In addition, the IBR is used to measure the interest-free loans from the ultimate controlling shareholder at amortised cost. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Impairment of property, plant and equipment and right-of-use assets

The management of the Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets at the end of each reporting period. The property, plant and equipment and right-of-use assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated useful lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group, the fundings from placing of new shares subsequent to the end of the reporting period, the possible favourable outcome result from the business strategies, plans and cost management measures devised by the Directors, and the availability of financing to the Group, including the loan facilities, undertakings and/or financial support from an executive Director and the ultimate controlling shareholder of the Company and the 2024 and 2025 External Financing Facility. Such forecast about the future inherently involves various estimation, assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

4. 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. During the year, the Group has expanded its business into the Automobile Services 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 three 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
Automobile Services Business	–	Provision of automobile services

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

(a) Reportable segments

	Leather Manufacturing Business		Leather Retail Business		Automobile Services Business		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**21,433**	29,547	**522**	751	**6**	–	**21,961**	30,298
Inter-segment revenue	**-**	137	**-**	–	**-**	–	**-**	137
Reportable segment revenue	**21,433**	29,684	**522**	751	**6**	–	**21,961**	30,435
Reportable segment loss	**(4,526)**	(16,575)	**(2,004)**	(2,857)	**(20)**	–	**(6,550)**	(19,432)
Depreciation of property, plant and equipment	**-**	1,373	**-**	–	**-**	–	**-**	1,373
Depreciation of right-of-use assets	**128**	2,748	**-**	–	**-**	–	**128**	2,748
Finance cost	**539**	716	**49**	68	**-**	–	**588**	784
Provision for/(write-back) of impairment of trade and other receivables, net	**891**	(12)	**-**	2	**-**	–	**891**	(10)
Impairment of property, plant and equipment and right-of-use assets	**1,553**	7,266	**-**	896	**-**	–	**1,553**	8,162
Additions to non-current assets (note)	**1,681**	71	**-**	896	**-**	–	**1,681**	967
Reportable segment assets	**55,856**	12,412	**480**	1,019	**7**	–	**56,343**	13,431
Reportable segment liabilities	**29,850**	27,363	**50,303**	49,290	**26**	–	**80,179**	76,653

Note: Including additions to property, plant and equipment and right-of-use assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	2024 **HK$'000**	2023 HK$'000
Revenue		
Reportable segment revenue	**21,961**	30,435
Elimination of inter-segment revenue	**–**	(137)
Consolidated revenue	**21,961**	30,298
Loss before tax		
Reportable segment loss	**(6,550)**	(19,432)
Elimination of inter-segment losses	**–**	–
Interest income	**1**	2
Unallocated corporate expenses (note (i))	**(10,523)**	(8,211)
Consolidated loss before tax	**(17,072)**	(27,641)
Depreciation of property, plant and equipment		
Reportable segment depreciation	**–**	1,373
Depreciation of unallocated property, plant and equipment	**–**	–
Consolidated depreciation of property, plant and equipment	**–**	1,373
Depreciation of right-of-use assets		
Reportable segment depreciation	**128**	2,748
Depreciation of unallocated right-of-use assets	**–**	–
Consolidated depreciation of right-of-use assets	**128**	2,748

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	2024 HK$'000	2023 HK$'000
Finance costs		
Reportable segment finance cost	**588**	784
Interest on unallocated lease liabilities	**–**	46
Imputed interest on loans from ultimate controlling shareholder	**2,503**	2,101
Consolidated finance costs	**3,091**	2,931
Impairment of trade and other receivables		
Reportable segment impairment	**891**	(10)
Unallocated impairment of trade and other receivables	**–**	57
Consolidated impairment of trade and other receivables	**891**	47
Impairment of property, plant and equipment and right-of-use assets		
Reportable segment impairment	**1,553**	8,162
Unallocated impairment of property, plant and equipment and right-of-use assets	**–**	–
Consolidated impairment of property, plant and equipment and right-of-use assets	**1,553**	8,162
Additions to non-current assets (note (ii))		
Reportable segment additions	**1,681**	967
Unallocated additions to non-current assets	**–**	–
Consolidated additions to non-current assets	**1,681**	967
Assets		
Reportable segment assets	**56,343**	58,154
Elimination of inter-segment and head office's receivables	**(46,073)**	(44,866)
Unallocated corporate assets	**608**	745
Consolidated total assets	**10,878**	14,033
Liabilities		
Reportable segment liabilities	**80,179**	76,653
Elimination of inter-segment and head office's payables	**(65,217)**	(59,640)
Unallocated corporate liabilities	**57,937**	56,345
Consolidated total liabilities	**72,899**	73,358

Notes:

(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.

(ii) Including additions to property, plant and equipment and right-of-use assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

(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	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong, China	**8,960**	6,122	**–**	–
The United States	**935**	12,551	**–**	–
Europe	**9,887**	5,854	**–**	–
Mainland China	**461**	1,058	**–**	–
Other countries	**1,718**	4,713	**–**	–
Total	**21,961**	30,298	**–**	–

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:

	2024	2023
	HK$'000	HK$'000
Customer A*	**7,830**	–
Customer B*	**5,654**	N/A#
Customer C*	**2,290**	4,802
Customer D*	**2,276**	N/A#
Customer E*	**N/A#**	16,618
	18,050	21,420

* Customer arising from the Leather Manufacturing Business segment.

Revenue from this customer was less than 10% of the Group's total revenue.

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.

5. REVENUE AND OTHER INCOME

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. During the year, the Group has expanded its business to the Automobile Services 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:

	2024 HK$'000	2023 HK$'000
Revenue from contracts with external customers		
Manufacturing and distribution of leather products	**21,433**	29,547
Retail of fashion apparel, footwear and leather accessories	**522**	751
Provision of automobile services	**6**	–
	21,961	30,298

(i) Disaggregated revenue information

	2024 HK$'000	2023 HK$'000
Timing of revenue recognition		
Manufacturing and distribution of leather products recognised when control of goods is transferred	**21,433**	29,547
Retail of fashion apparel, footwear and leather accessories when control of goods is transferred	**522**	751
Provision of automobile services when services are rendered	**6**	–
Goods and services transferred at a point in time	**21,961**	30,298

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

Manufacturing and distribution of leather products

The performance obligation is satisfied at a point in time upon the delivery of the leather products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

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5. REVENUE AND OTHER INCOME (CONTINUED)

(ii) Performance obligations (Continued)

Retail of fashion apparel, footwear and leather accessories

The performance obligation is satisfied at a point in time when the customers obtain control of the products and immediate cash or credit card payment is normally required.

Provision of automobile services

The performance obligation is satisfied at a point in time when the services are rendered and payment is generally due within 30 days.

(iii) Contract liabilities

The payment in advance received from customers before delivery of goods gives rise to contract liabilities. The contract liabilities are expected to be recognised as revenue within one year from the dates of inception of the respective contracts. The movements of the contract liabilities included in other payables are set out below:

	2024 HK$'000	2023 HK$'000
Movements in contract liabilities		
Balance as at 1 January	**1,526**	279
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,526)**	(279)
Increase in contract liabilities as a result of receipts in advance from customers during the year	**–**	1,526
Balance as at 31 December	**–**	1,526

Other income

	2024 HK$'000	2023 HK$'000
Interest income (note 7(a))	**1**	2
Foreign exchange gain, net	**250**	23
Write-back of other payables	**20**	107
Sundry income	**17**	47
	288	179

6. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on lease liabilities (notes 22(b) & (c))	**588**	830
Imputed interest on loans from ultimate controlling shareholder (note 21)	**2,503**	2,101
	3,091	2,931

7(a). LOSS BEFORE TAX

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

	2024 HK$'000	2023 HK$'000
Auditor's remuneration		
– Audit and other assurance related services	**1,380**	1,160
– Non-audit services	**40**	30
Cost of inventories*	**15,360**	24,617
Employee costs*, excluding directors' emoluments (note 8)		
– Salaries, allowance and other benefits	**10,474**	14,865
– Retirement scheme contributions	**1,093**	1,311
	11,567	16,176
Depreciation of property, plant and equipment* (note 12)	**–**	1,373
Depreciation of right-of-use assets* (note 22(a))	**128**	2,748
Provision for/(write-back of) impairment of trade receivables (note 14)	**880**	(17)
Provision for impairment of other receivables (note 15)	**11**	64
Provision for onerous short-term lease contracts (note 22(c))	**1,755**	675
Foreign exchange gains, net	**(250)**	(23)
Interest income (note 5)	**(1)**	(2)

* Cost of inventories included HK$4,478,000 (2023: HK$7,942,000) for the year ended 31 December 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.

7(b). OTHER LOSSES

	2024 HK$'000	2023 HK$'000
Impairment loss on property, plant and equipment (note 12)	**–**	2,964
Impairment loss on right-of-use assets (notes 22(a) & (c))	**1,553**	5,198
	1,553	8,162

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees paid HK$'000	Salaries, allowances, discretionary bonus and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000	Fees waived HK$'000
Year ended 31 December 2024					
Executive directors:					
Zhao Jingfei	**180**	**–**	**–**	**180**	**180**
Fan Xin	**180**	**–**	**–**	**180**	**180**
Qin Bohan	**180**	**–**	**–**	**180**	**180**
Leung Wai Kit (appointed on 5 July 2024)	**352**	**–**	**–**	**352**	**–**
Independent non-executive directors:					
Han Yu	**120**	**–**	**–**	**120**	**–**
Jia Lixin	**120**	**–**	**–**	**120**	**–**
Rong Yi (passed away on 28 December 2024)	**120**	**–**	**–**	**120**	**–**
Total	**1,252**	**–**	**–**	**1,252**	**540**
Year ended 31 December 2023					
Executive directors:					
Zhao Jingfei	180	–	–	180	180
Fan Xin	180	–	–	180	180
Qin Bohan	180	–	–	180	180
Independent non-executive directors:					
Han Yu	120	–	–	120	–
Jia Lixin	120	–	–	120	–
Rong Yi	120	–	–	120	–
Total	900	–	–	900	540

Other than the waived fees disclosed above, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) *Five highest paid individuals*

Of the five individuals with the highest emoluments in the Group, one (2023: none) is a director of the Company. Details of the remuneration for the year of the remaining four (2023: five) highest paid individuals who are not a director of the Company, are as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and benefits in kind	**1,598**	2,393
Retirement scheme contributions	**63**	73
	1,661	2,466

The emoluments of the top four (2023: five) highest paid individuals who are not a director of the Company, were within the following bands:

	2024	2023
Nil to HK$1,000,000	**4**	5

During the years ended 31 December 2024 and 2023, no emolument was paid to the Directors or any of the four (2023: five) highest paid individuals based on the Company's, the Group's or any member of the Group's performance or as an inducement to join or upon joining by the Group or as compensation for loss of office.

(c) The emoluments paid or payable to members of senior management (including Directors) were within the following bands:

	2024	2023
Nil to HK$1,000,000	**7**	7

9. INCOME TAX EXPENSE

Under the Hong Kong two-tiered profits tax rates regime, the first HK$2,000,000 of profits arising in Hong Kong 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 years ended 31 December 2024 and 2023. Other group entities operating in Hong Kong are taxed at 16.5%.

9. INCOME TAX EXPENSE (CONTINUED)

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 year ended 31 December 2024 and 2023. Other group entities, which are not qualified as small-scale enterprises, operating in Mainland China are taxed at 25%.

No Hong Kong profits tax (the "**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 2024 and 2023. No provision for CIT is made for the year ended 31 December 2024 as the Group did not generate any assessable profits arising in Mainland China. The provision for CIT in the PRC represents the underprovision of CIT in respect of prior years during the year ended 31 December 2023.

	2024	2023
	HK$'000	HK$'000
Current – Elsewhere		
Charge for the year	**–**	–
Underprovision for prior years	**–**	268
Total	**–**	268

A reconciliation of the tax expense applicable to loss before tax at the statutory rate applicable to the Company to the tax expense at effective tax rates is as follows:

	2024		2023	
	HK$'000	**%**	HK$'000	%
Loss before tax	**(17,072)**		(27,641)	
Tax at the statutory tax rate of 16.5%	**(2,817)**	**16.5**	(4,561)	16.5
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(311)**	**1.8**	(1,663)	6.0
Tax effect of expenses not deductible	**1,845**	**(10.8)**	2,381	(8.6)
Tax effect of tax losses not recognised	**1,825**	**(10.7)**	3,117	(11.3)
Tax effect of utilisation of tax losses previously not recognised	**–**	**–**	(417)	1.5
Tax effect of deductible temporary differences not recognised	**(542)**	**3.2**	1,143	(4.1)
Underprovision for prior years	**–**	**–**	268	(1.0)
Tax charge at the Group's effective rate	**–**	**–**	268	(1.0)

9. INCOME TAX EXPENSE (CONTINUED)

As at 31 December 2024, the Group had unused tax losses of approximately HK$121,795,000 (2023: HK$114,796,000) and other deductible temporary differences of approximately HK$11,096,000 (2023: HK$13,282,000 (including net balances of HK$813,000 (2023: HK$1,144,000) regarding the temporary differences arising from right-of-use assets and lease liabilities of HK$2,274,000 (2023: HK$4,037,000) and HK$3,087,000 (2023: HK$5,181,000), respectively). The unused tax losses of approximately HK$75,555,000 (2023: HK$71,991,000) can be carried forward indefinitely, while the remaining unused tax losses of approximately HK$46,240,000 (2023: HK$42,805,000) will be expired in five years from the respective dates of incurrence. Deferred tax assets have not been recognised in relation to such unused tax losses and other deductible temporary differences due to unpredictability of future profit streams.

As at 31 December 2024, no deferred tax liability has been recognised on the temporary difference in relation to the undistributed earnings of approximately HK$7,015,000 (31 December 2023: HK$10,344,000) of a subsidiary in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not be reversed in the foreseeable future.

The Group did not have other material unrecognised deferred tax assets and liabilities at the end of respective reporting periods.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for the years ended 31 December 2024 and 2023.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$17,062,000 (2023: approximately HK$27,909,000) and the weighted average number of ordinary shares of 413,801,205 (2023: 387,306,740) in issue during the year.

No adjustment has been made to the basic loss per share attributable to owners of the Company for the years ended 31 December 2024 and 2023 in respect of a dilution as the Company had no potential dilutive ordinary shares in issue during these years.

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2024					
Cost					
At 1 January 2024	**3,567**	**2,664**	**7,297**	**317**	**13,845**
Exchange realignment	**(72)**	**(12)**	**(144)**	**(9)**	**(237)**
At 31 December 2024	**3,495**	**2,652**	**7,153**	**308**	**13,608**
Accumulated depreciation and impairment					
At 1 January 2024	**3,567**	**2,664**	**7,297**	**317**	**13,845**
Depreciation (note 7(a))	**–**	**–**	**–**	**–**	**–**
Impairment loss provided for the year (note 7(b))	**–**	**–**	**–**	**–**	**–**
Exchange realignment	**(72)**	**(12)**	**(144)**	**(9)**	**(237)**
At 31 December 2024	**3,495**	**2,652**	**7,153**	**308**	**13,608**
Net carrying amounts					
At 31 December 2024	**–**	**–**	**–**	**–**	**–**
31 December 2023					
Cost					
At 1 January 2023	3,587	2,644	7,424	706	14,361
Additions	42	29	–	–	71
Disposal/Write off	–	–	–	(371)	(371)
Exchange realignment	(62)	(9)	(127)	(18)	(216)
At 31 December 2023	3,567	2,664	7,297	317	13,845
Accumulated depreciation and impairment					
At 1 January 2023	3,056	2,387	3,860	688	9,991
Depreciation (note 7(a))	167	13	1,192	1	1,373
Eliminated upon disposal/write off	–	–	–	(360)	(360)
Impairment loss provided for the year (note 7(b))	394	268	2,296	6	2,964
Exchange realignment	(50)	(4)	(51)	(18)	(123)
At 31 December 2023	3,567	2,664	7,297	317	13,845
Net carrying amounts					
At 31 December 2023	–	–	–	–	–

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leather Retail Business

As at 31 December 2023 and 2024, the Directors considered that there were impairment indicators on the property, plant and equipment (the "**Retail PPE**") and the ROA (note 22(a)) (the "**Retail ROA**") of the Leather Retail Business because of the substantial loss incurred for the years ended 31 December 2023 and 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 higher of the value in use ("**VIU**") and the fair value less costs of disposal ("**FVLCS**"). Since the Directors are of opinion that the Retail PPE and Retail ROA has minimal resell value and the FVLCS is considered as zero, the recoverable amount of Retail CGU is determined based on the VIU.

For the year ended 31 December 2023, the recoverable amounts 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 (the "**2023 Retail Valuation**"). There is no change in valuation method in the 2023 Retail Valuation as compared with 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%. The discount rate used in 2023 Retail Valuation is the weighted average cost of capital derived from market data. Based on the 2023 Retail Valuation, the recoverable amounts of the Retail PPE and Retail ROA were zero. Impairment loss on the Retail ROA of approximately HK$896,000 (note 22(a)), 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. As at 31 December 2023, the net carrying amounts of the Retail PPE and Retail ROA were Nil, after accumulated impairment of approximately HK$6,000 and HK$1,191,000, respectively. The impairment loss recognised was mainly due to the continuous unsatisfactory performance in the Leather Retail Business and management's expectation for the market development.

For the year ended 31 December 2024, the recoverable amounts of the Retail CGU as at 31 December 2024 has been determined by the management by using the discounted cash flow projections for 2025 (the "**2024 Retail Valuation**"). There is no change in valuation method in the 2024 Retail Valuation as compared with prior year. The key assumptions used in the 2024 Retail Valuation included growth rate of 8%, gross profit margin of 40% and discount rate of 14%. The discount rate used in 2024 Retail Valuation is the weighted average cost of capital derived from market data. Based on the 2024 Retail Valuation, the recoverable amounts of the Retail PPE and Retail ROA were zero. No write back of impairment on the Retail PPE and the Retail ROA, which had been fully impaired in prior year, is considered necessary for the year ended 31 December 2024. As at 31 December 2024, the net carrying amounts of the Retail PPE and Retail ROA were Nil, after accumulated impairment of approximately HK$6,000 and HK$896,000, respectively. The impairment loss recognised was mainly due to the continuous unsatisfactory performance in the Leather Retail Business and management's expectation for the market development.

Leather Manufacturing Business

As at 31 December 2023 and 2024, the Directors considered that there were impairment indicators on the property, plant and equipment (the "**Manufacturing PPE**") and the ROA (note 22(a)) (the "**Manufacturing ROA**") of the Leather Manufacturing Business because of the substantial loss incurred during the years ended 31 December 2023 and 2024. 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 higher of the VIU and the FVLCS. Since the Directors are of opinion that the Manufacturing PPE and Manufacturing ROA has minimal resell value and the FVLCS is considered as zero, the recoverable amount of Manufacturing CGU is determined based on the VIU.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leather Manufacturing Business (Continued)

The Directors engaged an independent valuer (the "**Valuer**") with recognised qualifications and experiences to determine the VIU of the Manufacturing CGU as at 31 December 2023 and 2024.

For the year ended 31 December 2023, the recoverable amounts of the Manufacturing CGU has been determined by using the discounted cash flow projections for a period covering from 2024 to 2025 (the "**2023 Manufacturing Valuation**"). There is no change in valuation method in the 2023 Manufacturing Valuation as compared with 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%. The discount rate used in 2023 Manufacturing Valuation is the weighted average cost of capital derived from market data. Based on the 2023 Manufacturing Valuation, the recoverable amounts of the Manufacturing PPE and Manufacturing ROA are zero. Impairment losses on the Manufacturing PPE and the Manufacturing ROA of approximately HK$2,964,000 (note 7(b)) and HK$4,302,000 (note 22(a)), respectively, were recognised in the consolidated statement of profit or loss for the year ended 31 December 2023. As at 31 December 2023, the net carrying amounts of the Manufacturing PPE and Manufacturing ROA were Nil (after accumulated impairment of approximately HK$2,964,000 and HK$4,302,000, respectively). The significant impairment loss recognised was mainly due to the decrease in forecast sales amount and growth rate due to the deteriorated performance of the Manufacturing CGU and management's expectation for the economic environment over the forecast period.

For the year ended 31 December 2024, the recoverable amounts of the Manufacturing CGU has been determined by using the discounted cash flow projections for a period covering 2025 (the "**2024 Manufacturing Valuation**"). There is no change in valuation method in the 2024 Manufacturing Valuation as compared with prior year. The key assumptions used in the 2024 Manufacturing Valuation include growth rate of 17%, gross profit margin of 24% and discount rate of 13%. The discount rate used in 2024 Manufacturing Valuation 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 are zero. Impairment losses on the Manufacturing ROA of approximately HK$1,553,000 (note 22(a)) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024; and no further impairment on the Manufacturing PPE is considered necessary as they have been fully impaired in prior year. As at 31 December 2024, the net carrying amounts of the Manufacturing PPE and Manufacturing ROA were Nil (after accumulated impairment of approximately HK$2,927,000 and HK$5,450,000, respectively). The significant impairment loss 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 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.

13. INVENTORIES

Inventories, net of provision for obsolete inventories, consisted of the following:

	2024 HK$'000	2023 HK$'000
Raw materials	**729**	1,228
Work in progress	**491**	1,522
Finished goods	**790**	1,844
	2,010	4,594

At 31 December 2024, the Group's inventories with cost of approximately HK$10,220,000 (2023: HK$10,371,000) were stated at net realisable value of zero (2023: Nil).

14. TRADE RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**7,349**	6,699
Less: Impairment loss	**(2,051)**	(1,171)
Net carrying amounts	**5,298**	5,528

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:

	2024 HK$'000	2023 HK$'000
Less than 30 days	**5,168**	3,288
31 to 60 days	**–**	2,121
61 to 90 days	**–**	110
91 to 120 days	**–**	9
121 to 365 days	**130**	–
Over 365 days	**–**	–
	5,298	5,528

14. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for expected credit loss of trade receivables during the years are as follows:

	2024 **HK$'000**	2023 HK$'000
At 1 January	**1,171**	1,188
Provision for/(write-back) of impairment loss (note 7(a))	**880**	(17)
At 31 December	**2,051**	1,171

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Past due					
	Current HK$'000	**1–30 days** HK$'000	**31–60 days** HK$'000	**61–90 days** HK$'000	**91–365 days** HK$'000	**Over 365 days** HK$'000	**Total** HK$'000
As at 31 December 2024							
Expected credit loss rate	**6.25%**	**N/A**	**N/A**	**72.61%**	**100%**	**100%**	
Gross carrying amount	**5,513**	**–**	**–**	**474**	**239**	**1,123**	**7,349**
Expected credit losses	**(345)**	**–**	**–**	**(344)**	**(239)**	**(1,123)**	**(2,051)**
Net carrying amount	**5,168**	**–**	**–**	**130**	**–**	**–**	**5,298**
As at 31 December 2023							
Expected credit loss rate	0.56%	4.45%	N/A	59.52%	N/A	100%	
Gross carrying amount	5,438	116	–	22	–	1,123	6,699
Expected credit losses	(30)	(5)	–	(13)	–	(1,123)	(1,171)
Net carrying amount	5,408	111	–	9	–	–	5,528

The increase in the allowance for expected credit loss to HK$2,051,000 (2023: HK$1,171,000) was mainly due to the increase in trade receivables which were past due for over 60 days and the increase in expected credit loss rate.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Prepayments	**421**	369
Rental, utility and other deposits	**1,443**	1,513
Due from former fellow subsidiaries	**8**	8
Other receivables	**1,175**	1,319
	3,047	3,209
Less: Impairment loss on other receivables	**(306)**	(295)
	2,741	2,914
Less: Rental deposits classified as non-current assets	**–**	(781)
Current portion	**2,741**	2,133

The amounts due from former fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The movements in the loss allowance for the impairment of other receivables during the reporting period are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**295**	231
Provision for impairment loss (note 7(a))	**11**	64
At 31 December	**306**	295

In determining the loss allowance for the impairment of other receivables, the Group has made individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking factors.

16. CASH AND CASH EQUIVALENTS

	2024 HK$'000	2023 HK$'000
Cash and bank balances	**829**	997

The cash and bank balances amounting to approximately HK$103,000 (2023: approximately HK$160,000) that were deposited in bank accounts maintained in the Mainland China and denominated in Renminbi ("**RMB**") were not freely convertible into other currencies and were subject to exchange controls in the Mainland China. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

17. TRADE PAYABLES

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

	2024 HK$'000	2023 HK$'000
Less than 30 days	**445**	909
31 to 60 days	**388**	1,164
61 to 90 days	**3,155**	394
91 to 120 days	**25**	189
121 to 365 days	**305**	74
Over 365 days	**448**	370
	4,766	3,100

18. OTHER PAYABLES AND ACCRUALS

	2024 HK$'000	2023 HK$'000
Other payables	**3,249**	4,561
Accrued expenses	**8,176**	5,655
Due to the former fellow subsidiaries	**8,171**	8,171
Due to the former intermediate holding company	**5,590**	5,590
	25,186	23,977

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.

19. DUE TO A DIRECTOR, THE ULTIMATE CONTROLLING SHAREHOLDER AND A RELATED COMPANY

The amount due to a director, namely Mr. Qin, amounting to HK$307,000 (2023: Nil), is unsecured, interest-free and has no fixed terms of repayment.

The amount due to the ultimate controlling shareholder, namely Mr. Zhao, amounting to HK$11,470,000 (2023: HK$10,897,000), 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$1,600,000 (2023: HK$1,654,000), is unsecured, interest-free and has no fixed terms of repayment.

20. 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 from him until the Group is in a position to do so.

21. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER

	2024 HK$'000	2023 HK$'000
Balance as at 1 January	**19,517**	19,002
Extension agreements for existing loans entered:		
Notional interest saving arising from the interest-free loans	**(4,566)**	(1,412)
	14,951	17,590
Imputed interest charged (note 6)	**2,503**	2,101
Exchange realignment	**(228)**	(174)
Balance as at 31 December	**17,226**	19,517
Less: Current portion	**(4,458)**	(15,604)
Non-current portion	**12,768**	3,913

Analysed into:

	2024 HK$'000	2023 HK$'000
Loans from ultimate controlling shareholder repayable:		
Within one year	**4,458**	15,604
In the second year	**12,768**	3,913
In the third to fifth years, inclusive	**–**	–
Beyond five years	**–**	–
Total	**17,226**	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$21,201,000 in aggregate, collectively the "**Shareholder Loans**") as at 31 December 2024.

During the year, the HK$ Loans and the US$ Loans have been extended to be repayable in January to August 2026 and were accounted for at amortised cost, using an effective interest rate of 16% and 17%, respectively.

Among the RMB Loans, an interest-free loan with an outstanding principal amount of aggregate outstanding principal amounts of RMB4,500,000 (equivalent to approximately HK$4,770,000) are repayable in 2025 ("**2025 Due Loans**") and were accounted for at amortised cost, using effective interest rates from 16% to 17%. The remaining RMB Loans with principal amount of RMB2,510,000 (equivalent to approximately HK$2,661,000) has been extended to be repayable in June 2026 and was accounted for at amortised cost, using an effective interest rate of 15%.

31 December 2024

21. LOANS FROM ULTIMATE CONTROLLING SHAREHOLDER (CONTINUED)

Subsequent to the end of the reporting period on 10 March 2025, the Group and Mr. Zhao entered into certain supplemental agreements, agreeing to extend the terms of the 2025 Due Loans 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.

22. LEASES

The Group as a lessee

During the year ended 31 December 2024, the Group entered into certain lease agreements to extend the lease of the existing retail shop, office premises and lease of a parcel of farmland used in the Industrial Hemp Planting Business for terms ranging from 1 year to 2 years (2023: certain lease agreements for existing retail shop and leather workshop 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.

The leases for the retail shops contain variable lease payment terms that are based on the Group's turnover generated from the retail shops. There are also minimum annual base rental arrangements for these leases.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Head office premises HK$'000	Retail shops, dismantling cost and office premises HK$'000	Manufacturing plants and office premises HK$'000	Total HK$'000
At 1 January 2023	–	–	7,187	7,187
Additions	–	896	–	896
Depreciation (notes 7(a) & 22(c))	–	–	(2,748)	(2,748)
Impairment loss provided for the year (notes 7(b) & 22(c))	–	(896)	(4,302)	(5,198)
Exchange realignment	–	–	(137)	(137)
At 31 December 2023 and 1 January 2024	**–**	**–**	**–**	**–**
Additions	**–**	**–**	**1,681**	**1,681**
Depreciation (notes 7(a) & 22(c))	**–**	**–**	**(128)**	**(128)**
Impairment loss provided for the year (notes 7(b) & 22(c))	**–**	**–**	**(1,553)**	**(1,553)**
Exchange realignment	**–**	**–**	**–**	**–**
At 31 December 2024	**–**	**–**	**–**	**–**

22. LEASES (CONTINUED)

The Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

As detailed in note 12 to the consolidated financial statements, 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$1,553,000 (2023: HK$4,302,000) and Nil (2023: HK$896,000) was recognised in the consolidated statement of profit or loss, respectively, for the year ended 31 December 2024 and no write back of previously impaired Manufacturing and Retail ROA was considered necessary for the years ended 31 December 2024 and 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 years 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 terms for the years ended 31 December 2023. There is no change in valuation method as compared with prior year. 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 for the year ended 31 December 2023. Therefore, no write back of impairment loss on the previous fully impaired Corporate ROA was considered necessary for the year ended 31 December 2023.

(b) Lease liabilities

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

	2024 HK$'000	2023 HK$'000
Carrying amount at 1 January	**6,213**	10,045
Additions	**1,681**	896
Interest expenses (note 6)	**588**	830
Payment of lease liabilities	**(4,006)**	(5,352)
Exchange realignment	**(132)**	(206)
Carrying amount at 31 December	**4,344**	6,213
Analysed into:		
Current portion	**3,957**	3,151
Non-current portion	**387**	3,062
	4,344	6,213

22. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) The amounts recognised in the consolidated statement of profit or loss and comprehensive income in relation to leases are as follows:

	2024 HK$'000	2023 HK$'000
Interest on lease liabilities (notes 6 & 22(b))	**588**	830
Depreciation of right-of-use assets (notes 7(a) & 22(a))	**128**	2,748
Expenses relating to short-term leases	**245**	277
Impairment of right-of-use assets (notes 7(b) & 22(a))	**1,553**	5,198
Provision for onerous short-term lease contracts (note 7(a))	**1,755**	675
	4,269	9,728

(d) *Lease commitments related to short-term leases*

	2024 HK$'000	2023 HK$'000
Short-term leases for retail shops	**675**	675
Short-term leases for corporate head office	**186**	–
	861	675

The short-term lease for retail shop is regarded as onerous and provision for onerous short-term lease contract of approximately HK$675,000 (2023: approximately HK$675,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024.

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. 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 (2023: Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024.

22. LEASES (CONTINUED)

The Group as a lessee (Continued)

(e) Total cash outflow for leases

	2024 HK$'000	2023 HK$'000
Within operating activities*	**1,762**	831
Within financing activities	**4,006**	5,352
	5,768	6,183

* Payment of short-term leases were not shown separately but included in the lines of "Loss before tax" and "(Decrease)/increase in other payables and accruals" in respect of the net cash used operating activities using the indirect method.

23. SHARE CAPITAL

Authorised and issued share capital

	2024 HK$'000	2023 HK$'000
Authorised (2,000,000,000 ordinary shares of HK$0.01 each)	**20,000**	20,000
Issued and fully paid:		
422,716,000 (2023: 412,704,000) ordinary shares of HK$0.01 each	**4,227**	4,127

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

	Number of shares in issue*	Share capital
At 1 January 2023	382,704,000	3,827
Shares issued during the year#	30,000,000	300
At 31 December 2023 and 1 January 2024	**412,704,000**	**4,127**
Shares issued during the year+	**10,012,000**	**100**
At 31 December 2024	**422,716,000**	**4,227**

* ordinary shares of HK$0.01 each

\# On 6 November 2023, 30,000,000 ordinary shares were issued 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 issuing expenses of approximately HK$489,000 was reduced from the share premium.

\+ On 21 November 2024, 10,012,000 ordinary shares were issued at a subscription price of HK$1.02 per share for a total cash consideration, before share issuing expenses, of HK$10,212,240 in which, as to HK$10,112,120 was recognised as share premium during the year ended 31 December 2024. The related issuing expenses of approximately HK$436,000 was reduced from the share premium.

23. SHARE CAPITAL (CONTINUED)

Authorised and issued share capital (Continued)

Subsequent to the end of the reporting period on 18 March 2025, 9,024,000 ordinary shares were issued at a subscription price of HK$1.78 per share for a total cash consideration, before share issuing expenses, of approximately HK$16,063,000.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 57 of the consolidated financial statements.

(i) Share premium

The share premium account of the Company includes premium arising from the issue of news shares in the current and prior years netted of share issue expenses.

Under section 34 of the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve is the notional interest saving arising from the interest-free loans from the ultimate controlling shareholder at the date of inception.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.4(l) to the consolidated financial statements.

(iv) Statutory and discretionary reserves

The statutory and discretionary reserves are non-distributable and the transfers to these reserves are determined by the Directors and in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital of the subsidiaries in the PRC upon approval from the relevant authorities.

25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related party during the year:

Compensation of key management personnel of the Group:

	2024 HK$'000	2023 HK$'000
Short-term benefits	**1,252**	1,107
Retirement scheme contributions	**–**	–
Total compensation paid to key management personnel	**1,252**	1,107

Further details of Directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

26. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the years ended 31 December 2023 and 2024, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce the existing level of contributions.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) *Major non-cash transactions*

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$1,681,000 (2023: HK$896,000) and HK$1,681,000 (2023: HK$896,000), respectively, in respect of lease arrangements for office and warehouse premises (2023: retail premises).

(b) Reconciliation of liabilities arising from financing activities during the years ended 31 December 2024 and 2023:

	Due to a related company HK$'000	Due to ultimate controlling shareholder HK$'000	Due to a director HK$'000	Loan from a director HK$'000	Loans from ultimate controlling shareholder HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2024	**1,654**	**10,897**	**–**	**8,000**	**19,517**	**6,213**	**46,281**
Changes from cash flows:							
– Advances from ultimate controlling shareholder	–	573	–	–	–	–	573
– Advances from a director	–	–	307	–	–	–	307
– Payment of principal portion of lease liabilities	–	–	–	–	–	(3,418)	(3,418)
– Payment of interest portion of lease liabilities	–	–	–	–	–	(588)	(588)
	–	573	307	–	–	(4,006)	(3,126)
Inception of new leases	–	–	–	–	–	1,681	1,681
Accretion of interest recognised during the year	–	–	–	–	2,503	588	3,091
Notional interest saving arising from interest-free loans provided by ultimate controlling shareholder	–	–	–	–	(4,566)	–	(4,566)
Exchange realignment	(54)	–	–	–	(228)	(132)	(414)
At 31 December 2024	**1,600**	**11,470**	**307**	**8,000**	**17,226**	**4,344**	**42,947**

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) (Continued)

	Due to a related company HK$'000	Due to ultimate controlling shareholder HK$'000	Loan from a director HK$'000	Loans from ultimate controlling shareholder HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2023	1,702	9,135	8,000	19,002	10,045	47,884
Changes from cash flows:						
– Advances from ultimate controlling shareholder	–	1,762	–	–	–	1,762
– Payment of principal portion of lease liabilities	–	–	–	–	(4,522)	(4,522)
– Payment of interest portion of lease liabilities	–	–	–	–	(830)	(830)
	–	1,762	–	–	(5,352)	(3,590)
Inception of new leases	–	–	–	–	896	896
Accretion of interest recognised during the year	–	–	–	2,101	830	2,931
Notional interest saving arising from interest-free loans provided by ultimate controlling shareholder	–	–	–	(1,412)	–	(1,412)
Exchange realignment	(48)	–	–	(174)	(206)	(428)
At 31 December 2023	1,654	10,897	8,000	19,517	6,213	46,281

31 December 2024

28. COMMITMENTS

Other than the lease commitments disclosed in note 22(d) to the consolidated financial statements, the Group had no significant commitments as at the end of the reporting period.

29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting period.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2024	2023
	HK$'000	HK$'000
Trade receivables	**5,298**	5,528
Prepayments, deposits and other receivables	**2,320**	2,545
Cash and cash equivalents	**829**	997
	8,447	9,070

Financial liabilities

	Financial liabilities at amortised cost	
	2024	2023
	HK$'000	HK$'000
Trade payables	**4,766**	3,100
Other payables and accruals	**25,186**	23,977
Due to ultimate controlling shareholder	**11,470**	10,897
Due to a director	**307**	–
Due to a related company	**1,600**	1,654
Loan from a director	**8,000**	8,000
Loans from ultimate controlling shareholder	**17,226**	19,517
Lease liabilities	**4,344**	6,213
	72,899	73,358

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to various kinds of risks in its operation and financial instruments. The Group's risk management objectives and policies mainly focused on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(i) Currency risk

The Group has foreign currency sales and purchases, mainly denominated in US$ and RMB, which expose the Group to currency risk. Certain financial assets and liabilities of the Group entities are also denominated in US$ and RMB other than their respective functional currency. As HK$ is pegged to US$, the relevant Group entities do not expect any significant movements in the US$/HK$ exchange rate. In this regard, the Group does not expose to significant currency risk arising from US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of RMB to HK$, with all other variables held constant, of the Group's loss before tax.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK$'000
31 December 2024		
If RMB strengthens against HK$	**5**	**4**
If RMB weakens against HK$	**(5)**	**(4)**
31 December 2023		
If RMB strengthens against HK$	5	5
If RMB weakens against HK$	(5)	(5)

The Group currently does not have a foreign currency hedging policy. However, management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk is mainly attributable to its interest-bearing bank deposits. The interest rate of bank deposits is subject to changes as determined by banks. The Group currently does not have an interest rate hedging policy and will consider entering into interest rate hedging should the need arise.

At the end of respective reporting periods, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have insignificant impact on the loss for the year or other components of equity of the Group at the end of respective reporting periods.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk

The Group's credit risk is primarily attributable to trade receivables, financial assets included in prepayments, deposits and other receivables and cash and bank balances and arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. All the cash and bank balances were made with financial institutions with high-credit quality.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023. The amounts presented are gross carrying amounts for financial assets.

31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	7,349	7,349
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,320	–	–	–	2,320
– Doubtful**	–	306	–	–	306
Cash and cash equivalents					
– Not yet past due	829	–	–	–	829
	3,149	306	–	7,349	10,804

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	6,699	6,699
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,545	–	–	–	2,545
– Doubtful**	–	295	–	–	295
Cash and cash equivalents					
– Not yet past due	997	–	–	–	997
	3,542	295	–	6,699	10,536

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 14 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at the end of the reporting period, the Group had certain concentrations of credit risk as 75% (2023: 46%) and 77% (2023: 82%) of the trade receivables were due from the Group's largest customer and five largest customers, respectively, within the Leather Manufacturing Business segment.

(iv) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk (Continued)

The maturity profile of the financial liabilities of the Group at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2024

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	4,766	–	–	–	4,766
Other payables and accruals	25,186	–	–	–	25,186
Due to ultimate controlling shareholder	11,470	–	–	–	11,470
Due to a director	307	–	–	–	307
Due to a related company	1,600	–	–	–	1,600
Loan from a director	8,000	–	–	–	8,000
Loans from ultimate controlling shareholder	–	1,060	3,710	16,431	21,201
Lease liabilities	–	1,233	3,021	402	4,656
	51,329	2,293	6,731	16,833	77,186

31 December 2023

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	3,072	28	–	–	3,100
Other payables and accruals	23,977	–	–	–	23,977
Due to ultimate controlling shareholder	10,897	–	–	–	10,897
Due to a related company	1,654	–	–	–	1,654
Loan from a director	8,000	–	–	–	8,000
Loans from ultimate controlling shareholder	–	1,000	15,521	4,933	21,454
Lease liabilities	–	1,056	2,578	3,230	6,864
	47,600	2,084	18,099	8,163	75,946

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by the total (deficiency in assets)/equity plus net debt. Net debt includes trade payables, other payables and accruals, amounts due to and loans from a Director and the ultimate controlling shareholder and lease liabilities, less cash and cash equivalents. Capital represents deficiency in assets attributable to equity holders of the Company. The Group does not disclose the gearing ratio as at 31 December 2023 and 2024 as the Group was in a net deficiency in assets position as at those respective dates.

32. EVENT AFTER THE REPORTING PERIOD

Apart from the placement and issue of new shares of the Company, the 2025 External Financing Facility and certain supplemental agreements entered into between the Group and Mr. Zhao and Mr. Qin as disclosed in note 23, note 2.1 and note 21 to the consolidated financial statements, there was no material event occurring subsequent to the end of the reporting period.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK$'000	2023 HK$'000
Non-current assets		
Investments in subsidiaries	**1**	–
Total non-current assets	**1**	–
Current assets		
Prepayment, deposits and other receivables	**468**	574
Due from subsidiaries	**–**	2,950
Due from ultimate controlling shareholder	**240**	–
Cash and cash equivalents	**83**	82
Total current assets	**791**	3,606
Current liabilities		
Other payables and accruals	**18,979**	16,002
Due to subsidiaries	**11,505**	11,846
Due to ultimate controlling shareholder	**–**	436
Loan from ultimate controlling shareholder	**–**	10,872
Loan from a director	**8,000**	8,000
Total current liabilities	**38,484**	47,156
Net current liabilities	**(37,693)**	(43,550)
Total assets less current liabilities	**(37,692)**	(43,550)
Non-current liabilities		
Loan from ultimate controlling shareholder	**8,840**	–
Total non-current liabilities	**8,840**	–
Net liabilities	**(46,532)**	(43,550)
Deficiency in assets		
Share capital (note 23)	**4,227**	4,127
Reserves (note)	**(50,759)**	(47,677)
Total deficiency in assets	**(46,532)**	(43,550)

On behalf of the Board

Zhao Jingfei
Executive Director

Fan Xin
Executive Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share Premium HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2023	125,931	(176,301)	2,058	(48,312)
Loss and total comprehensive income for the year	–	(12,076)	–	(12,076)
Issue of new share (note 23)	13,200	–	–	13,200
Share issue expenses (note 23)	(489)	–	–	(489)
At 31 December 2023 and 1 January 2024	**138,642**	**(188,377)**	**2,058**	**(47,677)**
Loss and total comprehensive income for the year	**–**	**(16,015)**	**–**	**(16,015)**
Notional interest of interest-free loans provided and existing loans extension by ultimate controlling shareholder (note 21)	**–**	**–**	**3,257**	**3,257**
Issue of new share (note 23)	**10,112**	**–**	**–**	**10,112**
Share issue expenses (note 23)	**(436)**	**–**	**–**	**(436)**
At 31 December 2024	**148,318**	**(204,392)**	**5,315**	**(50,759)**

34. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2025.

FIVE YEARS FINANCIAL SUMMARY

31 December 2024

A summary of the published results, assets and liabilities of the Group for the last five financial years, which does not form part of the audited consolidated financial statements, is set out as follows:

	2024 HK$'000	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000
Results					
Loss for the year	**(17,072)**	(27,909)	(18,936)	(20,987)	(21,758)

	2024 HK$'000	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000
Assets and liabilities					
Total assets	**10,878**	14,033	30,582	41,186	32,092
Total liabilities	**(72,899)**	(73,358)	(76,598)	(71,721)	(42,979)
Total deficiency in assets	**(62,021)**	(59,325)	(46,016)	(30,535)	(10,887)