

TARGET

Intelligence Report

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T U E S D A Y

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CHINA INTERNATIONAL DEVELOPMENT CORPORATION LTD:
***‘WHO WOULD FARDELS BEAR,
TO GRUNT AND SWEAT UNDER A WEARY LIFE?’***

For the past five Financial Years, going back to the 2018-Year, Management of China International Development Corporation Ltd (中聯發展控股集團有限公司) (Code: 264, Main Board, The Stock Exchange of Hongkong Ltd) has been losing money.

The losses, with regard to those five Financial Years, in aggregate, amounted to not less than \$HK111.47 million.

China International Development Corporation Ltd, on or about Thursday, April 27, 2023, published and disseminated its 2022 Annual Report in The Hongkong Special Administrative Region (HKSAR) of The People’s Republic of China (PRC) in respect of the Financial Year, ended December 31.

At Page 50 of the 2022 Annual Report, under the heading, ‘**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**,’ shareholders and any and all prospective investors were informed that, as at December 31, 2022, the Company was sporting a ‘*Deficiency in Assets*,’ amounting to \$HK46,016,000.00 (2021: \$HK30,535,000.00).

At Page 40 of the 2022 Annual Report, Ascenda Cachet CPA Ltd (天健德揚會計師事務所有限公司), the Independent Auditor of China International Development Corporation Ltd, caused to make the following statement:

‘MATERIAL UNCERTAINTY RELATING 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\$18,936,000 during the year and had net current liabilities and deficiency in assets of approximately HK\$38,909,000 and HK\$46,016,000, respectively, as at 31 December 2022; and (ii) the Group had cash and cash equivalents of approximately of HK\$2,495,000 only to meet its financial obligations as at 31 December 2022. These conditions indicate the existence of a material uncertainty

that may cast significant doubt on the Group's ability to continue as a going concern.'

(More about the Auditor's Statement and the Company's rebuttal in respect of the matter of a 'Going Concern,' shall be dealt with later on in this financial analysis.)

THE CHAIRMAN'S STATEMENT

At Pages Four through to Seven of the 2022 Annual Report of China International Development Corporation Ltd, Mr Zhao Jing Fei (趙靖飛), the Chairman of the Board of Directors of the Company, went on record, stating, amongst other things, the following paragraphs:

'FINANCIAL PERFORMANCE

'The Group has recorded revenue of approximately HK\$56,042,000 for the year ended 31 December 2022 (2021: approximately HK\$49,192,000), representing an increase of 13.9% or approximately HK\$6,850,000 as compared with the year ended 31 December 2021. Revenue contributed from the Leather Manufacturing Business and Leather Retail Business (excluding inter-segment revenue) was approximately HK\$54,542,000 (2021: approximately HK\$46,016,000) and approximately HK\$1,500,000 (2021: approximately HK\$3,176,000) for the year ended 31 December 2022, respectively. Gross profit was approximately HK\$10,261,000 (2021: approximately HK\$9,820,000) for the year ended 31 December 2022. There was a decrease in gross profit margin from approximately 20.0% for the year ended 31 December 2021 to approximately 18.3% for the year ended 31 December 2022, mainly due to the extra production costs incurred for catching up the delay in production schedule of the Group's Leather Manufacturing Business as a result of the continuous spread of the coronavirus disease ("COVID-19") as well as the pandemic control and quarantine measures and travelling and logistics restriction implemented in Mainland China and Hong Kong in 2022...

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

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

'BUSINESS REVIEW

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

‘Leather Manufacturing Business

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

‘Revenue analysis by geographic location:

	2022		2021	
	HK\$’000	%	HK\$’000	%
Hong Kong	6,597	12.1	4,921	10.7
United States of America	32,655	59.9	29,888	65.0
Europe	9,852	18.1	7,130	15.5
The Mainland China	571	1.0	–	–
Other countries	4,867	8.9	4,077	8.8
	54,542	100.0	46,016	100.0

‘Revenue analysis by product category:

	2022		2021	
	HK\$’000	%	HK\$’000	%
Belts	52,347	96.0	44,952	97.7
Leather goods and other accessories	2,195	4.0	1,064	2.3
	54,542	100.0	46,016	100.0

‘Leather Retail Business

‘For the Leather Retail Business, owing to the adverse retail environment of Hong Kong largely due to the outbreak of the COVID-19 pandemic, and keen competition from rivals and online sales, the Group recorded revenue of approximately HK\$1,352,000 (2021: approximately HK\$2,366,000) from Hong Kong for the year ended 31 December 2022, representing an approximately 57.14% decrease in comparison with that for the year ended 31 December 2021. The Company’s online retail business in the Mainland China recorded revenue of approximately HK\$148,000 (2021: approximately HK\$810,000) during the year ended 31 December 2022. Gross profit margin of the Leather Retail Business for the year ended 31 December 2022 decreased to approximately 28.5%, as compared to approximately 68.4% for the year ended 31 December 2021. The main reason was that the city closure policy and the suspension of local logistics caused unsatisfactory results of the retail shops in Hong Kong

and online retail platforms in Mainland China and write-down of the slow-moving inventories.

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

‘PROSPECTS

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

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