2019 ANNUAL REPORT

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

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhao Jingfei *(Chairman)*
(Appointed on 22 July 2019)
Mr. Fan Xin *(Chief Executive Officer)*
(Appointed on 22 July 2019)
Mr. Qin Bohan *(Appointed on 9 September 2019)*
Ms. Wang Wei *(Resigned on 22 July 2019)*

Independent Non-executive Directors

Ms. Han Yu *(Appointed on 9 September 2019)*
Ms. Jia Lixin *(Appointed on 9 September 2019)*
Mr. Rong Yi *(Appointed on 9 September 2019)*
Mr. Wong Kwun Ho *(Resigned on 9 September 2019)*
Mr. Chong Man Hung Jeffrey
(Resigned on 9 September 2019)
Mr. Liang Jianhai *(Resigned on 9 September 2019)*

COMPANY SECRETARY

Chan Tsang Mo

AUDIT COMMITTEE

Ms. Han Yu *(Committee Chairlady)*
(Appointed on 9 September 2019)
Ms. Jia Lixin *(Appointed on 9 September 2019)*
Mr. Rong Yi *(Appointed on 9 September 2019)*
Mr. Wong Kwun Ho *(Resigned on 9 September 2019)*
Mr. Chong Man Hung Jeffrey
(Resigned on 9 September 2019)
Mr. Liang Jianhai *(Resigned on 9 September 2019)*

NOMINATION COMMITTEE

Mr. Zhao Jingfei *(Committee Chairman)*
(Appointed on 22 July 2019)
Ms. Han Yu *(Appointed on 9 September 2019)*
Ms. Jia Lixin *(Appointed on 9 September 2019)*
Mr. Rong Yi *(Appointed on 9 September 2019)*
Ms. Wang Wei *(Resigned on 22 July 2019)*
Mr. Wong Kwun Ho *(Resigned on 9 September 2019)*
Mr. Chong Man Hung Jeffrey
(Resigned on 9 September 2019)
Mr. Liang Jianhai *(Resigned on 9 September 2019)*

REMUNERATION COMMITTEE

Mr. Rong Yi *(Committee Chairman)*
(Appointed on 9 September 2019)
Mr. Fan Xin *(Appointed on 22 July 2019)*
Ms. Han Yu *(Appointed on 9 September 2019)*
Ms. Jia Lixin *(Appointed on 9 September 2019)*
Ms. Wang Wei *(Resigned on 22 July 2019)*
Mr. Wong Kwun Ho *(Resigned on 9 September 2019)*
Mr. Chong Man Hung Jeffrey
(Resigned on 9 September 2019)
Mr. Liang Jianhai *(Resigned on 9 September 2019)*

REGISTERED OFFICE

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

CORPORATE INFORMATION

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
OCBC Wing Hang Bank Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank Hong Kong Branch

AUDITOR

BDO 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

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Tricor Investor Service Limited
Level 54,
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

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

STOCK CODE

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FINANCIAL HIGHLIGHTS

	Year ended 31 December 2019	Year ended 31 December 2018
Operating results		
Revenue (HK$'000)	**61,202**	63,900
Gross profit (HK$'000)	**28,787**	21,975
Loss before income tax expense (HK$'000)	**18,325**	31,466
Loss for the year (HK$'000)	**18,327**	31,466
Business performance ratios		
Gross profit margin (%)	**47.0**	34.4
Net profit margin (%)	**N/A**	N/A
Return on shareholders' equity (%)	**N/A**	N/A
Current ratio (times)	**1.14**	2.12
Quick ratio (times)	**0.79**	1.53
Share data (as at year end date)		
Shares in issue ('000)	**382,704**	382,704
Shares closing price (HK$)	**1.52**	1.37
Market capitalization (HK$'000)	**581,710**	524,304
Basic loss per share (HK cents)	**4.79**	8.22
Interim dividend per share (HK$)	**Nil**	Nil
Final dividend per share (HK$)	**Nil**	Nil
Net asset value per share (HK$)	**0.02**	0.07
Price-to-book value ratio (times)	**76**	19.57

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 am pleased to present the annual report of the Company for the year ended 31 December 2019.

FINANCIAL PERFORMANCE

The Group has recorded a revenue of approximately HK$61,202,000 for the year ended 31 December 2019 (2018: approximately HK$63,900,000), representing a decrease of 4.2% or approximately HK$2,698,000 as compared with the year ended 31 December 2018. Revenue contributed from manufacturing and retail business segments (excluding inter-segment revenue) was approximately HK$50,190,000 and approximately HK$11,012,000 for the year ended 31 December 2019, respectively. Gross profit was approximately HK$28,787,000 for the year ended 31 December 2019 (2018: approximately HK$21,975,000). There was a significant increase in gross profit margin from approximately 34.4% for the year ended 31 December 2018 to approximately 47.0% for the year ended 31 December 2019. The impressive improvement in gross profit margin was mainly contributed by the manufacturing business segment as a result of effective material cost control in 2019.

Selling and distribution costs significantly reduced by approximately HK$2,472,000 to approximately HK$12,171,000 for the year ended 31 December 2019 (2018: approximately HK$14,643,000). The decrease was mainly attributable to the decrease in rental expenses of the retail business segment following the close down of certain under-performed retail stores for the year ended 31 December 2019. Administrative and other operating expenses decreased by approximately HK$3,322,000 to approximately HK$34,956,000 for the year ended 31 December 2019 (2018: approximately HK$38,278,000). The reduction was mainly due to the decrease in employee cost as a result of the strengthened human resources management of the Group and the decrease in professional adviser's fee of the Group.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$18,327,000 for the year ended 31 December 2019 (2018: approximately HK$31,466,000). Loss per share for the year ended 31 December 2019 was HK4.79 cents (2018: HK8.22 cents).

BUSINESS REVIEW

For the year ended 31 December 2019, the manufacturing business and retail business segments accounted for approximately 82% (2018: approximately 67%) and approximately 18% (2018: approximately 33%) of the Group's total revenue, respectively.

Manufacturing Business

For the year ended 31 December 2019, revenue of the manufacturing business segment from external customers was approximately HK$50,190,000, in comparison with approximately HK$43,099,000 for the year ended 31 December 2018. The increase was due to growing support from existing customers since the supply of leather products of the Group is very stable and is of promising quality.

Geographically, sales to the USA increased significantly by approximately 84.5% from approximately HK$15,231,000 for the year ended 31 December 2018 to approximately HK$28,095,000 for the year ended 31 December 2019. Sales to Europe reduced from approximately HK$14,343,000 for the year ended 31 December 2018 to approximately HK$10,134,000 for the year ended 31 December 2019. Sales to Hong Kong maintained at approximately HK$2,499,000 for the year ended 31 December 2019 (2018: approximately HK$2,378,000). Sales in the PRC market reduced by approximately HK$577,000 to approximately HK$1,566,000 for the year ended 31 December 2019 (2018: approximately HK$2,143,000). Apart from these major markets, sales to other countries, such as Japan, Australia, Canada, India, decreased by approximately HK$1,108,000 to approximately HK$7,896,000 for the year ended 31 December 2019 (2018: approximately HK$9,004,000).

In respect of product category, sales of belts increased significantly by approximately HK$10,318,000 to approximately HK$47,087,000 for the year ended 31 December 2019 (2018: approximately HK$36,769,000), representing an increase of approximately 28.1%. The sale of leather goods and other accessories reduced by approximately HK$3,227,000 to approximately HK$3,103,000 for the year ended 31 December 2019, (2018: approximately HK$6,330,000). Similar to previous years, the Group strived to economise on expenditure and reduce further in the inventory level of raw materials, particularly, to consume the slow-moving inventory of cowhide leathers. The Group's manufacturing business segment recorded a turnaround of operations loss to profit for the year ended 31 December 2019, from operating loss of approximately HK$11,697,000 for the year ended 31 December 2018 to operating profit of approximately HK$3,128,000 for the year ended 31 December 2019, represented a year-to-year increase of 126.7%.

Retail Business

For retail business, due to the adverse retail environment of Hong Kong, and keen competition from rivals and online sales, the Group recorded a revenue of approximately HK$11,012,000 for the year ended 31 December 2019 (2018: approximately HK$20,801,000), representing an approximately 47.1% decrease in comparison with the year ended 31 December 2018. Sales of the Group's in-house brand "Urban Stranger" comprised approximately 80.5% of the retail sales of the Group for the year ended 31 December 2019, which was approximately 6.3% lower than that of the year ended 31 December 2018 (2018: approximately 86.8%). Gross profit margin for the year ended 31 December 2019 remained high at approximately 64.0%, slightly reduced as compared to the year ended 31 December 2018's margin of approximately 65.8%.

The overall shop rental to revenue ratio increased from approximately 31.6% for the year ended 31 December 2018 to approximately 47.3% for the year ended 31 December 2019. The staff cost to revenue ratio also increased from approximately 21.1% for the year ended 31 December 2018 to approximately 43.1% for the year ended 31 December 2019.

The retail business segment resulted in a loss of approximately HK$9,275,000 for the year ended 31 December 2019 as compared to approximately HK$1,899,000 for the year ended 31 December 2018. The Group maintained four AREA 0264 stores (2018: five) and one Teepee Leather workshop (2018: one) in Hong Kong as at 31 December 2019.

PROSPECTS

The global business environment was still challenging in 2019. The economic atmosphere and investment confidence was definitely unfavorably affected by the continuous trade dispute between the USA and the PRC. Moreover, the unpredictable evolving impact of the worldwide outbreak of the novel coronavirus (the "**COVID-19**") in the first quarter of 2020 casted additional threats to the already down-falling global economy.

There is no exception for the leather manufacturing industry. Although the operation of the production plants of the Group in the PRC have not been materially affected, with the continuous growth of sales order from overseas customers of the Group these years, and following the announcement of the COVID-19 pandemic by the World Health Organisation in March 2020, the leather manufacturing business of the Group will be facing a tougher challenge for the rest of the year in 2020. Looking forward, the Group will further enhance the brand image by promoting the competitive advantage of its high quality leather products and flexibility in catering the needs of its customers. The Group will continue to improve the operational efficiency of the manufacturing segment and re-examine the use of its resources prudently and make every effort to maximize its profit.

The business environment of retail sector in Hong Kong is not optimistic. The whammy of the anti-government related activities in second half of the year 2019 greatly hampered the sales activities of retail shops. The latest statistic from the Census and Statistics Department indicated that the retails sales in Hong Kong plunged by 21.4% year over year in January 2020, also representing the twelveth consecutive month of decline. The threat of the outbreak of COVID-19 has turned the business environment of retail sector in Hong Kong even more austere.

CHAIRMAN'S STATEMENT

Retail store rental remains one of the Group's largest expenses. The substantial rental expenses of the retail stores is determined to be an impediment to the profit of the retail segment of the Group. In view of this grim business outlook of the Hong Kong retail sector and in order to mitigate any loss of the retail business segment of the Group in the near future, the Group has terminated the tenancy agreement of a previously planned new store in October 2019 and closed down two existing stores in February 2020 upon the expiry of their respective store tenancies. Going forward, the Group will further enhance the marketing and promotion activities of its leather products, as well as improving the service quality of existing stores by strengthening the human resource management of the retails business segment.

Despite the weak business environment of the retail sector in Hong Kong, the rapid development of the e-commence sector has presented a great opportunity for the Group to exploit the weakness in the rental cycle and to explore oversea markets with minor establishment cost. We are leveraging this opportunity to commence the trial selling on an online shopping platform — shopee.com, a well-known one-stop e-commerce shopping site for brands in Asia, first in Taiwan and Malaysia region in March 2020, and then further expand to other south-east Asia countries in the near future.

In spite of the continuous loss-making of the leather business in previous years, the Group has successfully turned around the loss making manufacturing business segment to profit in the year ended 31 December 2019. The Group will continue to review its business strategic directions and operations of both manufacturing and retail business in order to chart its long term corporate strategy and growth and to explore other businesses or investment opportunities with a view to enhance the Group's overall future development.

On behalf of the Board, I would like to express my heartfelt gratitude to the management team and all our staff for their hard work, commitment, dedication and contribution, and all of our shareholders, valuable customers and banks for their ongoing support.

Zhao Jingfei
Chairman

Hong Kong, 11 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's cash and bank deposits were approximately HK$15,470,000 as compared to approximately HK$25,729,000 as at 31 December 2018.

The Group recorded total current assets of approximately HK$42,896,000 as at 31 December 2019 (31 December 2018: approximately HK$51,140,000) and total current liabilities of approximately HK$37,610,000 as at 31 December 2019 (31 December 2018: approximately HK$24,173,000). The decrease in total current assets was mainly due to the combined effect of increase in trade no bills receivables in 2018 and 2019 receivables and decrease in cash and bank deposits. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 1.14 times as at 31 December 2019 (31 December 2018: approximately 2.12 times).

The Group recorded shareholders' equity of approximately HK$9,505,000 as at 31 December 2019 (31 December 2018: approximately HK$28,057,000). The reduction was mainly attributable to the operational loss of the year.

The Group did not have any bank borrowings as at 31 December 2018 and 2019.

As at 31 December 2019, the Group had no bank facilities. The gearing ratio, representing the Group's total interest bearing borrowings divided by its total equity, at 31 December 2019 and 2018 was nil as the Group had no interest bearing borrowings for both years.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 31 December 2019 and 31 December 2018, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

The Group has from time to time been exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed in this annual report, the Group does not have any specific plans for material investment or capital asset as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are mainly conducted in HKD and RMB. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2019. The Group does not currently engage in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and will take such a measure if it is deemed prudent.

CHARGES ON ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no contracted capital expenditure as at 31 December 2019 and 31 December 2018.

As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases of various offices were approximately RMB4.9 million. Upon the application of HKFRS 16 from 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position and there will be no commitments for future minimum lease payments under operating leases.

There was no charge on the Company's assets as at 31 December 2019 and 31 December 2018.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2019, the Group employed 165 employees (2018: 190). 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 pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhao Jingfei, aged 30, 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 37, has been appointed as an executive Director and authorised representative of the Company on 22 July 2019. He obtained a 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 24, 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) 財税服務有限公司) 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Han Yu, aged 47, was 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 30, was 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 March 2017.

Mr. Rong Yi, aged 62, was appointed as an independent non-executive Director on 9 September 2019. He was the chairman and general manager of Jiangsu Wuxi Rongxin Industry Development Co., Ltd.* (江蘇無錫榮信實業發展有限公司) from 1996 to August 2019. Mr. Rong was a director of the board of directors of Jiangnan University from 1997 to 2006. He was a member of the eighth and ninth committees of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference from 1998 to 2008. He was a council member of the second council of Jiangsu Glorious Business Promotion Association* (江蘇省光彩事業促進會) from 2003 to 2005. He was an industry style supervisor* (行風監督員) of the Jiangsu Administration for Industry and Commerce from September 2006 to September 2008.

COMPANY SECRETARY

Mr. Chan Tsang Mo, aged 35, 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 10 years of experience in the field of accounting and financial management.

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 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 December 2019 except for the deviations from the Code Provision A.2.1 (as disclosed in the paragraph headed "Chairman and Chief Executive Officer" in this corporate governance report) in respect of the separation of roles of the Chairman and chief executive of the Company and the Code Provision C.2.5 in respect of having an internal audit function (as disclosed in the paragraph headed "Internal Controls and Risk Management" in this corporate government report).

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2019.

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 three 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 11 to 12 of this annual report. There is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

The Board holds two regular meetings a year to review the financial and operating performance of the Company. Apart from the regular Board meetings, the Board will meet on other occasion when required.

During the year ended 31 December 2019, four 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 2019 is as follows:

	Number of Board meetings attended/ eligible to attend	Annual general meeting held on 30 May 2019 attended
Executive Directors		
Mr. Zhao Jingfei (Chairman) (Appointed on 22 July 2019)	1/1	0/0
Mr. Fan Xin (Appointed on 22 July 2019)	1/1	0/0
Mr. Qin Bohan (Appointed on 9 September 2019)	0/0	0/0
Ms. Wang Wei (Resigned on 22 July 2019)	3/3	1/1
Independent Non-executive Directors		
Ms. Han Yu (Appointed on 9 September 2019)	0/0	0/0
Ms. Jia Lixin (Appointed on 9 September 2019)	0/0	0/0
Mr. Rong Yi (Appointed on 9 September 2019)	0/0	0/0
Mr. Wong Kwun Ho (Resigned on 9 September 2019)	4/4	1/1
Mr. Chong Man Hung Jeffrey (Resigned on 9 September 2019)	4/4	1/1
Mr. Liang Jianhai (Resigned on 9 September 2019)	4/4	1/1

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 compliance with the requirements set out in Rule 3.10(1) of the Listing Rules, the Board consists of three independent non-executive Directors during the year under review. One of them, 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. During the year under review and as of the date of this report, 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.

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' INSURANCE COVER OF LEGAL ACTION

Under the Code Provision A.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 2019, the Company arranged appropriate insurance cover for Directors' and officers' liabilities.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to provision A.6.5 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.

During the year ended 31 December 2019, 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) (Appointed on 22 July 2019)	✓
Mr. Fan Xin (Appointed on 22 July 2019)	✓
Mr. Qin Bohan (Appointed on 9 September 2019)	✓
Ms. Wang Wei (Resigned on 22 July 2019)	✓
Independent Non-executive Directors	
Ms. Han Yu (Appointed on 9 September 2019)	✓
Ms. Jia Lixin (Appointed on 9 September 2019)	✓
Mr. Rong Yi (Appointed on 9 September 2019)	✓
Mr. Wong Kwun Ho (Resigned on 9 September 2019)	✓
Mr. Chong Man Hung Jeffrey (Resigned on 9 September 2019)	✓
Mr. Liang Jianhai (Resigned on 9 September 2019)	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code Provision A.2.1 of the CG Code, the roles of chairman/chairlady and chief executive should be separate and should not be performed by the same individual. For the year ended 31 December 2019, the roles of the Chairlady had been performed by Ms. Wang Wei from 1 January 2019 to 22 July 2019 and the duties of the chief executive is performed by the existing management of the Group. The Board is of the view that given the small size of the existing management team, Ms. Wang Wei has considerable experience in business development and the Board believes that the structure would enable the Company to make and implement decisions promptly and efficiently. The Board has met regularly to consider that such structure would not impair the balance of power and authority between the Board and the management of the Group during the period.

Following Ms. Wang Wei's resignation as Chairlady, Mr. Zhao Jingfei is appointed as the Chairman and Mr. Fan Xin is the chief executive officer of the Company (the "**CEO**"). The roles of the Chairman and the CEO are served by different individuals to achieve a balance of authority and power, which is in compliance with the Code Provision A.2.1 of the CG Code. The main responsibility of the Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, the CEO is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions.

OTHER COMMITTEES

There are three committees established under the Board, namely Audit Committee, Remuneration Committee and Nomination Committee.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Han Yu (Appointed on 9 September 2019), Ms. Jia Lixin (Appointed on 9 September 2019) and Mr. Rong Yi (Appointed on 9 September 2019). Mr. Chong Man Hung Jeffrey, Mr. Wong Kwun Ho, and Mr. Liang Jianhai ceased to be members of the Audit Committee after their resignations as independent non-executive Directors on 9 September 2019. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules. On 31 December 2018, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the Listing Rules requirement in relation to the Audit Committees' roles and functions, the risk management and internal control. The revised term of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

During the year ended 31 December 2019, three 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) (Appointed on 9 September 2019)	0/0
Ms. Jia Lixin (Appointed on 9 September 2019)	0/0
Mr. Rong Yi (Appointed on 9 September 2019)	0/0
Mr. Wong Kwun Ho (Resigned on 9 September 2019)	3/3
Mr. Chong Man Hung Jeffrey (Resigned on 9 September 2019)	3/3
Mr. Liang Jianhai (Resigned on 9 September 2019)	3/3

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, quarterly reports 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;

- 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 and financial reporting function;

- 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 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 review arrangements for employees of the Company, in confidence, to raise concerns 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 under review, the Audit Committee has reviewed with the Group's management the principles and practices adopted by the Group, discussed internal control, risk management and financial reporting matters, including a review of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019 and audited consolidated financial statements of the Company for the year ended 31 December 2019.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fees paid/payable to the Group's auditor, BDO Limited, are set out as follows:

Nature of services	Amount HK$'000
Audit Services	860
Non-audit Services	120

The non-audit services were related to agreed-upon procedures on certain financial information.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Rong Yi (Appointed on 9 September 2019), Ms. Han Yu (Appointed on 9 September 2019) and Ms. Jia Lixin (Appointed on 9 September 2019) and one executive Director, namely Mr. Fan Xin (Appointed on 22 July 2019). Mr. Chong Man Hung Jeffrey, Mr. Wong Kwun Ho, and Mr. Liang Jianhai ceased to be members of the Remuneration Committee after their resignations as independent non-executive Directors on 9 September 2019. Ms. Wang Wei ceased to be member of the Remuneration Committee after her resignation as executive Director on 22 July 2019. The term of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

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 2019, one remuneration committee meeting were held to review and determine the annual remuneration packages of the Directors. Individual attendance of each committee members at the meetings is as follows:

	Number of meetings attended/eligible to attend
Independent Non-executive Directors	
Mr. Rong Yi (Committee Chairman) (Appointed on 9 September 2019)	0/0
Ms. Han Yu (Appointed on 9 September 2019)	0/0
Ms. Jia Lixin (Appointed on 9 September 2019)	0/0
Mr. Wong Kwun Ho (Resigned on 9 September 2019)	1/1
Mr. Chong Man Hung Jeffrey (Resigned on 9 September 2019)	1/1
Mr. Liang Jianhai (Resigned on 9 September 2019)	1/1
Executive Directors	
Mr. Fan Xin (Appointed on 22 July 2019)	0/0
Ms. Wang Wei (Resigned on 22 July 2019)	1/1

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 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 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; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Rong Yi (Appointed on 9 September 2019), Ms. Han Yu (Appointed on 9 September 2019) and Ms. Jia Lixin (Appointed on 9 September 2019) and one executive Director, namely Mr. Zhao Jingfei (Appointed on 22 July 2019). Mr. Chong Man Hung Jeffrey, Mr. Wong Kwun Ho, and Mr. Liang Jianhai ceased to be members of the Nomination Committee after their resignations as independent non-executive Directors on 9 September 2019. Ms. Wang Wei ceased to be member of the Nomination Committee after her resignation as executive Director on 22 July 2019. On 31 December 2018, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the Listing Rules requirement in relation to board diversity effective from 1 January 2019. The revised term of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

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 2019, one 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 2019. Individual attendance of each committee member at the meeting is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Ms. Han Yu (Appointed on 9 September 2019)	0/0
Ms. Jia Lixin (Appointed on 9 September 2019)	0/0
Mr. Rong Yi (Appointed on 9 September 2019)	0/0
Mr. Wong Kwun Ho (Resigned on 9 September 2019)	1/1
Mr. Chong Man Hung Jeffrey (Resigned on 9 September 2019)	1/1
Mr. Liang Jianhai (Resigned on 9 September 2019)	1/1
Executive Directors	
Mr. Zhao Jingfei (Committee Chairman) (Appointed on 22 July 2019)	0/0
Ms. Wang Wei (Resigned on 22 July 2019)	1/1

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 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 Board Diversity Policy;
- develop, review and disclose the policy for nomination of Directors;
- to assess the independence of independent non-executive Directors; and
- 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.

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. During the year under review, six new Directors were recommended by the Nomination Committee and were appointed by the Board. All of the newly appointed Directors were selected via the selection process described above.

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 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 measureable 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 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.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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, as appropriate, to ensure the effectiveness of this policy. 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 four 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.

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 by the Board at the Board meeting held on 21 March 2012 and is in compliance with paragraph D.3.1 of the CG Code. During the year ended 31 December 2019, the Board has discussed the corporate governance matters including a review of the corporate governance report for the year ended 31 December 2019.

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 36 to 37 of this annual report.

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. 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 C.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.

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.

The Board has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 December 2019. The Board considers that the existing risk management and internal control systems of the Group are in place and effective.

CORPORATE COMMUNICATION

The Company endeavours to maintain good investor relationship with shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A shareholder's communication policy was adopted by the Board on 21 March 2012 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 properly. 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.

Under the Code Provision E.1.2 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. During the year ended 31 December 2019, Ms. Wang Wei (chairlady of the Board at the time of annual general meeting) attended the annual general meeting of the Company held on 30 May 2019.

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 not less than one-tenth of the paid up capital 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 2019, Mr. Chan undertook not less than 15 hours of professional training to update his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 26 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 6 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 5 to 8 and pages 9 to 10 of this annual 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 market 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 2019, 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 no later than three months after the publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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 2019, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY

During the year ended 31 December 2019, 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 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 38 to 94 of this annual report.

The Directors do not recommend any payment of final dividend to shareholders for the year ended 31 December 2019.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in note 25 to the consolidated financial statements and in the consolidated statement of changes in equity on page 40 of this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2019, amounted to approximately HK$588,000. 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 2019.

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 95 of this Annual 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 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors of the Group are set out on pages 11 of this Annual Report.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors

Mr. Zhao Jingfei (Chairman) (Appointed on 22 July 2019)
Mr. Fan Xin (Chief Executive Officer) (Appointed on 22 July 2019)
Mr. Qin Bohan (Appointed on 9 September 2019)
Ms. Wang Wei (Resigned on 22 July 2019)

Independent Non-executive Directors

Ms. Han Yu (Appointed on 9 September 2019)
Ms. Jia Lixin (Appointed on 9 September 2019)
Mr. Rong Yi (Appointed on 9 September 2019)
Mr. Wong Kwun Ho (Resigned on 9 September 2019)
Mr. Chong Man Hung Jeffrey (Resigned on 9 September 2019)
Mr. Liang Jianhai (Resigned on 9 September 2019)

In accordance with Article 86(3) of the Company's Articles, Ms. Han Yu and Ms. Jia Lixin shall retire from office in the forthcoming annual general meeting and, being eligible, 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 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 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

Details of the emoluments of the Directors of the Company and the highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

EMOLUMENT POLICY

The emoluments of the Directors are recommended by the Remuneration Committee for the Board approval, having regard to the Company's operating results, individual performance and comparable market statistics.

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 2019 and up to the date of this annual report.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

No 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 the period or at any time during the period under review.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of 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

As at 31 December 2019, 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:

SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION

(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)	287,024,406	75.00

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 2019, 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

So far as known to the Directors, as at 31 December 2019, the following persons (other than the Directors and chief executive of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Waterfront Holding Group Co., Ltd.	Beneficial owner	287,024,406	75.00

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2019 and 31 December 2019 and no share option of the Company was granted, exercised, lapsed or cancelled during the year under review.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2019 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 2019.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, the Company has not entered any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year under review attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	22.2%
– five largest suppliers combined	51.3%
Sales	
– the largest customer	43.1%
– five largest customers combined	66.9%

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 14 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 2019 except for the deviations from the Code Provisions A.2.1 and C.2.5 in respect of i) the separation of roles of the chairman of the Board and chief executive of the Company and ii) the internal audit function respectively. Details are set out in the section headed "Corporate Governance Report" on pages 13 to 26 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Immediately upon the close of the mandatory unconditional cash offer made by Lego Securities Limited on behalf of Waterfront Holding Group Co., Ltd. to acquire all the issued shares of the Company (other than those already beneficially owned or acquired by Waterfront Holding Group Co., Ltd. and parties acting in concert with it), on 18 June 2019, 95,571,594 Shares were held by the public, representing approximately 24.97% of the then entire issued share capital of the Company. The Company therefore did not fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 18 June 2019 to 17 July 2019. On 3 July 2019, the Company was informed by the Waterfront Holding Group Co., Ltd. that it had disposed of a total of 108,000 Shares, representing approximately 0.03% of the total issued share capital of the Company on the open market (the "**Disposal**") for the purpose of restoring the public float of the Company. Immediately following the Disposal, a total of 95,679,594 Shares were held by the public, representing approximately 25% of the issued share capital of the Company. Accordingly, the minimum public float of the Company has been restored and the Company is in compliance with Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained the required public float for its shares as required under the Listing Rules throughout the period immediately after the completion of the Disposal to the date of this annual report.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. The audit committee currently comprises Ms. Han Yu (Committee Chairlady), Ms. Jia Lixin and Mr. Rong Yi. The Audit Committee has reviewed and discussed with the management and the external auditor the financial reporting matters including the annual results for the year ended 31 December 2019.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of the event occurring after the reporting period are set out in note 32 to the consolidated financial statements.

SUBSIDIARIES

Particulars of Company's subsidiaries as at 31 December 2019 are set out in note 26 to the consolidated financial statements.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual 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 2019.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, 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 27 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 2019.

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, 11 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA INTERNATIONAL DEVELOPMENT CORPORATION LIMITED (FORMERLY KNOWN AS ASCENT INTERNATIONAL HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China International Development Corporation Limited (Formerly known as Ascent International Holdings Limited) (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 38 to 94, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of 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 a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Company. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements

As set out in note 3(d) to the consolidated financial statements, the Group continued to sustain a loss of approximately HK$18,327,000 for the year ended 31 December 2019 and its net current assets and the net assets decreased to approximately HK$5,286,000 and HK$9,505,000, respectively, as at 31 December 2019. These conditions, along with other matters as set out in note 3(d) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group's ability to continue as going concern is dependent on the ongoing availability of financing to the Group, including the financial support from the ultimate controlling shareholder.

As further described in note 3(d) to the consolidated financial statements, the ultimate controlling shareholder of the Company has committed in writing to provide financial support to the Group as is necessary to enable the Group to meet its financial obligations as and when they fall due and to carry on its business without a significant curtailment of the operations for at least 24 months from 31 December 2019. However, the directors of the Company have not provided us with sufficient financial information of the ultimate controlling shareholder to enable us to understand how the directors have assessed and concluded that the ultimate controlling shareholder of the Company has the financial ability to provide the financial support to the Group.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**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 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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our responsibility is to conduct an audit of the Company's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number P06262

Hong Kong, 11 May 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**61,202**	63,900
Cost of sales		**(32,415)**	(41,925)
Gross profit		**28,787**	21,975
Other income and gains		**518**	1,764
Selling and distribution costs		**(12,171)**	(14,643)
Administrative and other operating expenses		**(34,956)**	(38,278)
Reversal of impairment/(impairment loss) on trade receivables, net		**25**	(211)
Finance costs	8	**(528)**	(87)
Share of loss of a jointly controlled entity	9	**—**	(1,986)
Loss before income tax expense	10	**(18,325)**	(31,466)
Income tax expense	13	**(2)**	—
Loss for the year attributable to owners of the Company		**(18,327)**	(31,466)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of operations outside Hong Kong		**(225)**	(2,003)
Other comprehensive income for the year		**(225)**	(2,003)
Total comprehensive income for the year attributable to owners of the Company		**(18,552)**	(33,469)
Loss per share attributable to owners of the Company			
— Basic and diluted	14	**HK(4.79) cents**	HK(8.22) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**307**	506
Deposits paid		**1,198**	584
Right-of-use assets	20(b)	**4,241**	—
		5,746	1,090
Current assets			
Inventories	16	**13,301**	14,096
Trade receivables	17	**11,643**	7,074
Other receivables, deposits and prepayments		**2,209**	3,965
Amounts due from former fellow subsidiaries	19	**8**	8
Tax recoverable		**265**	268
Bank balances and cash		**15,470**	25,729
		42,896	51,140
Current liabilities			
Trade payables	18	**2,963**	2,643
Other payables and accrued charges		**7,105**	7,769
Amounts due to former fellow subsidiaries	19	**8,171**	8,171
Amount due to a former intermediate holding company	19	**5,590**	5,590
Amount due to a director	19	**8,000**	—
Lease liabilities	20(a)	**5,781**	—
		37,610	24,173
Net current assets		**5,286**	26,967
Total assets less current liabilities		**11,032**	28,057
Non-current liabilities			
Lease liabilities	20(a)	**1,527**	—
Net assets		**9,505**	28,057
Capital and reserves attributable to owners of the Company			
Share capital	22	**3,827**	3,827
Reserves		**5,678**	24,230
Total equity		**9,505**	28,057

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 2019

	Share capital HK$'000 (note 22)	Share premium HK$'000 (note 25(i))	Foreign exchange reserve HK$'000 (note 25(iii))	Statutory and discretionary reserves HK$'000 (note)	Accumulated losses HK$'000 (note 25(ii))	Total HK$'000
At 1 January 2018	3,827	77,760	3,774	5,249	(29,084)	61,526
Loss for the year	–	–	–	–	(31,466)	(31,466)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	(2,003)	–	–	(2,003)
Total comprehensive income for the year	–	–	(2,003)	–	(31,466)	(33,469)
At 31 December 2018 and 1 January 2019	3,827	77,760	1,771	5,249	(60,550)	28,057
Loss for the year	–	–	–	–	(18,327)	(18,327)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	(225)	–	–	(225)
Total comprehensive income for the year	–	–	(225)	–	(18,327)	(18,552)
At 31 December 2019	3,827	77,760	1,546	5,249	(78,877)	9,505

Note:

The statutory and discretionary reserves are non-distributable and the transfers to these reserves are determined by the board of directors and in accordance with the relevant laws and regulations of the People's Republic of China (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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before income tax expense		**(18,325)**	(31,466)
Adjustments for:			
Interest income		**(205)**	(78)
Finance costs		**528**	87
Depreciation of property, plant and equipment	10	**500**	165
Depreciation of right-of-use assets	10	**5,643**	—
Impairment loss on property, plant and equipment	10	**234**	—
Impairment loss on right-of-use assets	10	**2,923**	—
Gain on disposal of property, plant and equipment	10	**(31)**	—
(Reversal of impairment)/impairment loss on trade receivables, net	10	**(25)**	211
(Reversal of write-down)/write-down of inventories		**(1,973)**	6,127
Write-back of long outstanding other payables		**—**	(912)
Loss on disposal of a jointly controlled entity, net of transaction cost	10	**—**	204
Share of loss of a jointly controlled entity		**—**	1,986
Operating loss before working capital changes		**(10,731)**	(23,676)
(Increase)/decrease in deposits paid		**(614)**	642
Decrease in inventories		**2,591**	7,055
(Increase)/decrease in trade and bills receivables		**(4,544)**	1,113
Decrease in other receivables, deposits and prepayments		**1,749**	235
Increase/(decrease) in trade payables		**352**	(981)
Decrease in other payables and accrued charges		**(911)**	(1,231)
Cash used in operations		**(12,108)**	(16,843)
Interest paid		**—**	(87)
Income tax paid		**(2)**	—
Net cash used in operating activities		**(12,110)**	(16,930)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,156)**	(19)
Sales proceeds from disposal of property, plant and equipment		**653**	—
Investment in a jointly controlled entity	9	**—**	(20,000)
Sales proceeds from disposal of a jointly controlled entity	9	**—**	18,000
Payment for the professional fees related to disposal of a jointly controlled entity	9	**—**	(190)
Interest received		**205**	78
Net cash used in investing activities		**(298)**	(2,131)
Cash flows from financing activities	30(b)		
Advance from a director		**8,000**	—
Repayment of principal portion of the lease liabilities		**(5,257)**	—
Finance costs		**(528)**	—
Increase in amounts due to former fellow subsidiaries		**—**	965
Advance from a jointly controlled entity		**—**	6,500
Repayment to a jointly controlled entity		**—**	(6,500)
Net cash generated from financing activities		**2,215**	965
Net decrease in cash and cash equivalents		**(10,193)**	(18,096)
Cash and cash equivalents at beginning of year		**25,729**	44,507
Effect of exchange rate changes on cash and cash equivalents		**(66)**	(682)
Cash and cash equivalents at end of year			
Represented by bank balances and cash		**15,470**	25,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. GENERAL

China International Development Corporation Limited (formerly known as Ascent International Holdings Limited) (the "**Company**") 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 Group, comprising the Company and its subsidiaries, is engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

As at 31 December 2019, the directors of the Company consider the Company's immediate and ultimate holding company was Waterfront Holding Group Co., Ltd. ("**Waterfront**"), a company incorporated in the British Virgin Islands (the "**BVI**") and its ultimate controlling party was Mr. Zhao Jingfei ("**Mr. Zhao**").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2019

During the year, the Group has adopted the following new/revised HKFRSs that are relevant to its operations and effective for the current accounting period.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements in HKFRSs	Annual Improvements 2015–2017 cycle

Other than HKFRS 16, the adoption of the above new/revised HKFRSs has no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The impacts of adoption of HKFRS 16 are set out below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

*HKFRS 16 — Leases ("**HKFRS 16**")*

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("**HKAS 17**"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("**HK(IFRIC)-Int 4**"), HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. The details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, are set out in sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provisions in HKFRS 16.

The financial impacts on the consolidated financial statements for the year ended 31 December 2019 are set out below:

Line items of the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Assets	
Increase in right-of-use assets	**8,285**
Increase in total assets	**8,285**
Liabilities	
Increase in lease liabilities (non-current)	**4,446**
Increase in lease liabilities (current)	**3,839**
Increase in total liabilities	**8,285**

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) *Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)*

*HKFRS 16 — Leases ("**HKFRS 16**") (Continued)*

(i) Impact of the adoption of HKFRS 16 (Continued)

Line items of the consolidated statement of comprehensive income for the year ended 31 December 2019:

	HK$'000
Decrease in operating lease charges	(5,785)
Increase in depreciation of right-of-use assets	5,643
Increase in interest on lease liabilities	528
Increase in loss before income tax expense	386

Line items of the consolidated statement of cash flows for the year ended 31 December 2019:

	HK$'000
Decrease in net cash used in operating activities	
— Decrease in operating lease charges	5,785
Decrease in net cash generated from financing activities	
— Payments of capital element of lease liabilities	5,257
— Payments of interest element of lease liabilities	528
	5,785

The following reconciliation explains how the operating lease commitments disclosed by applying HKAS 17 at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities:

	HK$'000
Operating lease commitments as at 31 December 2018	10,842
Less: Short-term lease ends within 31 December 2019	(1,912)
Less: Future interest expenses	(645)
Total lease liabilities as at 1 January 2019	8,285

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 7.0%.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

*HKFRS 16 — Leases ("**HKFRS 16**") (Continued)*

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, 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 HKFRS 16 provides accounting policy choices 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 for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases, if any, 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

*HKFRS 16 — Leases ("**HKFRS 16**") (Continued)*

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use 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.

Subsequent to the commencement date, a lessee shall measure 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.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of accumulated losses at the date of initial application (i.e. 1 January 2019). The comparative information presented for the year ended 31 December 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provisions in HKFRS 16.

The Group has recognised the lease liabilities at 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2019 (Continued)

*HKFRS 16 — Leases ("**HKFRS 16**") (Continued)*

(iv) Transition (Continued)

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position at 1 January 2019. For all these right-of-use assets, the Group has relied on the previous assessment for the provision for onerous contract as at 31 December 2018 as an alternative to performing an impairment review at 1 January 2019.

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (i.e. 1 January 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

[1] Effective for annual periods beginning on or after 1 January 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3 — Definition of a Business

The amendments to HKFRS 3 clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments are not expected to have any significant impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

(d) Going concern basis

The Group has continued to sustain a loss of approximately HK$18,327,000 for the year ended 31 December 2019 and its net current assets and the net assets decreased to approximately HK$5,286,000 and HK$9,505,000, respectively, as at 31 December 2019. In addition, the Group had amounts due to former fellow subsidiaries and a former intermediate holding company of approximately HK$8,171,000 and HK$5,590,000, respectively as at 31 December 2019, which are all due for repayment while the Group only maintained bank balances and cash of approximately HK$15,470,000. Furthermore, the worldwide outbreak of COVID-19 since January 2020 as mentioned in note 32 to the consolidated financial statements gives rise to increasing uncertainties to the global economy. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the directors have prepared a cash flow forecast of the Group covering a period up to 31 December 2021 (the "**Forecasted Period**") 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 within 24 months from 31 December 2019 after taking into account of the following:

(i) The Group will undertake certain measures to reduce operating expenses so as to reduce the Group's operating loss during the Forecasted Period;

(ii) The Company obtained a letter of undertaking from Mr. Qin Bohan, a director of the Company, that he would not demand repayment of the amount due to him of HK$8 million as at 31 December 2019 until the Company has excess cash to repay and the repayment date is no earlier than 31 December 2020; and

3. BASIS OF PREPARATION (CONTINUED)

(d) Going concern basis (Continued)

(iii) The Company obtained a letter of support from its ultimate controlling shareholder, Mr. Zhao to 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 business without a significant curtailment of the operations for at least 24 months from 31 December 2019, including (but not limited to) not calling for repayment of the amounts to be drawn by the Group under the financial support until the Group has excess financial resources.

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4. SIGNIFICANT 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 using reducing balance method at the following principal annual rates:

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leasing

Accounting policies applied from 1 January 2019

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leasing (Continued)

Accounting policies applied until 31 December 2018

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(e) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Financial assets including trade receivables, other receivables and deposits paid and bank balances and cash that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost (including other receivables and rental deposits). The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and bills receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of an other debt financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group takes into account the following information when assessing whether credit risk has increased significantly since initial recognition and assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due irrespective of the outcome of the above assessment.

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash low obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

Financial liabilities at amortised cost including trade payables, other payables and accrued charges, amounts due to former fellow subsidiaries, a former intermediate holding company and a director. They are initial measured at fair value, net of directly attributable transaction cost incurred. Subsequently, they are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of other assets (Continued)

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Inventories and other contract costs

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.

Other contract costs are the incremental costs of obtaining a contract with a customer. Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group has applied the practical expedient to recognise these incremental costs as expenses when incurred as the amortisation period of these assets that the Group would otherwise have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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. The corresponding trade or bills receivable or cash received are recognised in the 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 sale of leather products and retail of fashion apparel, footwear and leather accessories generally do not provide customers a right of return (a right to exchange another product or right to refund in cash). In addition, return of defective 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 discount on selling price to those customers from retail business who have accumulated a specific amount of purchases from the Group within a specific period of time. The period of entitlement of discount is generally one year. Based on the Group's historical experience and the estimate of the customers who will be eligible to utilise this discount, the financial impact on the consolidated financial statements is insignificant.

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operations concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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.

(n) Related parties

(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 (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year.

Write-down of inventories

Management estimate the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write down inventories to their net realisable values. Where the subsequent estimated net realisable value of inventories differ from the original estimate, a material write-down or reversal of write-down may arise.

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

Key sources of 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 model as detailed in the accounting policies and note 4(e)(ii). The Group uses judgements and estimates, and makes assumptions and selects inputs as considered appropriate in performing the impairment assessment. 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.

Estimation of the incremental borrowing rate for leasing

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. 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).

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

The Group reviews the carrying amounts of these assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts would increase or decrease the provision of impairment loss for the year and affect the Group's net asset value.

Going concern basis

As disclosed in note 3(d), 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 covering a period up to 31 December 2021. Such forecast about the future inherently involve various assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Manufacturing business	—	Manufacturing and distribution of leather products
Retail business	—	Retail of fashion apparel, footwear and leather accessories

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

(a) Reportable segments

	Manufacturing business		Retail business		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**50,190**	43,099	**11,012**	20,801	**61,202**	63,900
Inter-segment revenue	**1,935**	4,321	**–**	–	**1,935**	4,321
Reportable segment revenue	**52,125**	47,420	**11,012**	20,801	**63,137**	68,221
Reportable segment profit/(loss)	**3,128**	(11,697)	**(9,275)**	(1,899)	**(6,147)**	(13,596)
Depreciation of property, plant and equipment	**74**	95	**225**	32	**299**	127
Depreciation of right-of-use assets	**4,020**	–	**1,623**	–	**5,643**	–
Impairment of property, plant and equipment and right-of-use assets	**–**	–	**3,157**	–	**3,157**	–
(Reversal of write-down)/write-down of inventories	**(2,142)**	4,882	**169**	1,245	**(1,973)**	6,127
Additions to non-current assets (note)	**28**	–	**4,892**	–	**4,920**	–
Reportable segment assets	**40,964**	39,209	**5,220**	7,905	**46,184**	47,114
Reportable segment liabilities	**11,177**	7,537	**3,825**	674	**15,002**	8,211

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

6. SEGMENT REPORTING (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Revenue		
Reportable segment revenue	**63,137**	68,221
Elimination of inter-segment revenue	**(1,935)**	(4,321)
Consolidated revenue	**61,202**	63,900
Loss before income tax expense		
Reportable segment loss	**(6,147)**	(13,596)
Elimination of inter-segment losses	**355**	852
Interest income	**205**	78
Unallocated corporate expenses (note (i))	**(12,738)**	(18,800)
Consolidated loss before income tax expense	**(18,325)**	(31,466)
Depreciation of property, plant and equipment		
Reportable segment depreciation	**299**	127
Depreciation of unallocated property, plant and equipment	**201**	38
Consolidated depreciation of property, plant and equipment	**500**	165
Additions to non-current assets (note (ii))		
Reportable segment additions	**4,920**	—
Unallocated additions to property, plant and equipment	**782**	19
Consolidated additions to property, plant and equipment	**5,702**	19
Assets		
Reportable segment assets	**46,184**	47,114
Tax recoverable	**265**	268
Unallocated corporate bank balances and cash	**1,224**	3,898
Other unallocated corporate assets	**969**	950
Consolidated total assets	**48,642**	52,230
Liabilities		
Reportable segment liabilities	**15,002**	8,211
Amounts due to former fellow subsidiaries	**8,171**	8,171
Amount due to a former intermediate holding company	**5,590**	5,590
Amount due to a director	**8,000**	—
Unallocated corporate liabilities (note (iii))	**2,374**	2,201
Consolidated total liabilities	**39,137**	24,173

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.

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

(iii) The amount represented unallocated accrued head office expenses including professional fees and staff costs.

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6. SEGMENT REPORTING (CONTINUED)

(c) Geographical information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, i.e. property, plant and equipment and right-of-use assets.

	Revenue from external customers (note)		Non-current assets	
	2019	2018	**2019**	2018
	HK\$'000	HK\$'000	**HK\$'000**	HK\$'000
Hong Kong (place of domicile)	**13,511**	23,179	**367**	262
Europe	**10,134**	14,343	**—**	—
The PRC	**1,566**	2,143	**4,181**	244
The USA	**28,095**	15,231	**—**	—
Other countries	**7,896**	9,004	**—**	—
Total	**47,691**	40,721	**4,181**	244
	61,202	63,900	**4,548**	506

Note: Revenues are attributed to countries on the basis of the customers' location.

(d) Information about major customers

Revenue from a customer of the Group's manufacturing business segment accounting for 10% or more of the Group's revenue is set out below:

	2019	2018
	HK\$'000	HK\$'000
Customer A	**26,380**	11,175

7. REVENUE

The principal activities of the Group are manufacturing and distribution of leather products, and retail of fashion apparel, footwear and leather accessories.

The amount of each significant category of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Sale of goods		
Manufacturing and distribution of leather products	**50,190**	43,099
Retail of fashion apparel, footwear and leather accessories	**11,012**	20,801
	61,202	63,900

Revenue from sale of goods is recognised at a point in time when the control of goods has been passed to customers.

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2019 HK$'000	2018 HK$'000
Trade receivables (note 17)	**11,643**	7,074
Contract liabilities	**146**	283

The contract liabilities represent advanced considerations received from customers before goods sold to customers. The contract liabilities are expected to be recognised as revenue within one year from date of inception of respective contracts. The movements of the contract liabilities are set out below:

	2019 HK$'000	2018 HK$'000
Movements in contract liabilities		
Balance as at 1 January	**283**	227
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	**(283)**	(227)
Increase in contract liabilities as a result of receipts in advance from customers during the year	**146**	283
Balance as at 31 December	**146**	283

8. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest on lease liabilities	**528**	–
Interest paid to a jointly controlled entity in relation to advance from the jointly controlled entity	**–**	87
	528	87

9. SHARE OF LOSS OF A JOINTLY CONTROLLED ENTITY

On 23 January 2018, Elite Ascent Investments Limited ("**Elite Ascent**"), a direct wholly-owned subsidiary of the Company, Ms Leung Shuk Ching, Jubilee Ventures International Limited and Eastation Gallery (HK) Limited (the "**JV Company**") entered into a joint venture agreement, pursuant to which Elite Ascent had subscribed for 300 shares of the JV Company at a total subscription price of HK$20 million which represented 30% of the enlarged issued share capital in the JV Company upon completion of the subscriptions of shares by its shareholders. The JV Company is principally engaged in consultation and trading of artworks and the operating of an art gallery in Hong Kong.

Management considered that the performance of the JV Company was not able to reach the expectation since acquisition. On 17 August 2018, the Group completed the disposal of its entire 30% equity interest in the JV Company to another shareholder of the JV Company, Jubilee Ventures International Limited, for a cash consideration of HK$18 million pursuant to a sale and purchase agreement. It had resulted in a loss on disposal of HK$204,000, net of disposal expenses of HK$190,000, during the year ended 31 December 2018.

10. LOSS BEFORE INCOME TAX EXPENSE

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

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	**860**	800
Cost of inventories	**32,415**	41,925
Employee costs, excluding directors' emoluments (note 11)	**26,334**	30,753
Depreciation of property, plant and equipment	**500**	165
Depreciation of right-of-use assets	**5,643**	—
Impairment loss on property, plant and equipment	**234**	—
Impairment loss on right-of-use assets	**2,923**	—
Gain on disposal of property, plant and equipment	**(31)**	—
(Reversal of impairment)/impairment loss on trade receivables, net	**(25)**	211
(Reversal of write-down)/write-down of inventories, net (included in cost of sales)	**(1,973)**	6,127
Write-back of long outstanding other payables	**—**	(912)
Loss of disposal of a jointly controlled entity	**—**	204
Provision for termination of a tenancy agreement	**446**	—
Foreign exchange gains, net	**(29)**	(537)
Interest income	**(205)**	(78)

11. EMPLOYEE COSTS, EXCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**25,817**	30,288
Retirement benefits scheme contributions	**517**	465
	26,334	30,753

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) *Directors' emoluments*

Details of directors' emoluments for the years ended 31 December 2019 are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 December 2019				
Executive directors:				
Zhao Jingfei (Appointed on 22 July 2019)	–	–	–	–
Fan Xin (Appointed on 22 July 2019)	160	–	–	160
Qin Bohan (Appointed on 9 September 2019)	120	–	–	120
Wang Wei (Resigned on 22 July 2019)	402	–	–	402
Independent non-executive directors:				
Han Yu (Appointed on 9 September 2019)	40	–	–	40
Jia Lixin (Appointed on 9 September 2019)	40	–	–	40
Rong Yi (Appointed on 9 September 2019)	40	–	–	40
Wong Kwun Ho (Resigned on 9 September 2019)	133	–	–	133
Chong Man Hung Jeffrey (Resigned on 9 September 2019)	133	–	–	133
Liang Jianhai (Resigned on 9 September 2019)	133	–	–	133
Total	1,201	–	–	1,201

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

(a) *Directors' emoluments (Continued)*

Details of directors' emoluments for the year ended 31 December 2018 are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 December 2018				
Executive directors:				
Wang Wei (Appointed on 8 August 2018)	286	–	–	286
Li Wei (Resigned on 7 September 2018)	82	2,396	–	2,478
Xu Hong Wei (Appointed on 6 July 2018 and resigned on 25 July 2018)	–	–	–	–
Huang Shiqiao (Appointed on 6 July 2018 and resigned on 25 July 2018)	–	–	–	–
Independent non-executive directors:				
Wong Kwun Ho (Appointed on 13 August 2018)	71	–	–	71
Liang Jianhai (Appointed on 13 August 2018)	71	–	–	71
Chong Man Hung Jeffrey (Appointed on 7 September 2018)	61	–	–	61
Cheng Shing Hay (Resigned on 7 September 2018)	206	–	–	206
Shen Xiao (Resigned on 25 July 2018)	82	–	–	82
Wong Kon Man, Jason (Resigned on 7 September 2018)	206	–	–	206
Yau Pak Yue (Resigned on 13 August 2018)	197	–	–	197
Non-executive director:				
Lui Kwok Wai (Resigned on 16 March 2018)	–	–	–	–
Total	1,262	2,396	–	3,658

No directors waived any emoluments during the years ended 31 December 2019 and 2018.

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

(b) *Five highest paid individuals*

Of the five individuals with the highest emoluments in the Group, None (2018: one) was director of the Company whose emoluments are included in the disclosures in note 12(a) above. The emoluments of the remaining five (2018: four) individuals were as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**6,014**	5,760
Discretionary bonuses	**45**	40
Retirement benefits scheme contributions	**53**	23
	6,112	5,823

The emoluments of the top five (2018: four) individuals were within the following bands:

	2019 **HK$'000**	2018 HK$'000
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**3**	—
HK$1,500,001 to HK$2,500,000	**—**	3

During the years ended 31 December 2019 and 2018, no emolument was paid to the directors or any of the five highest paid individuals 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:

	2019 **HK$'000**	2018 HK$'000
Nil to HK$1,000,000	**9**	11
HK$1,500,001 to HK$2,500,000	**—**	4

13. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax have been made as the Group has sustained estimated tax losses for the years ended 31 December 2019 and 2018.

PRC Enterprise Income Tax rate for the Company's subsidiaries in the PRC is 25% (2018: 25%).

The income tax expense for the year can be reconciled to the loss before income tax expense per the consolidated statement of comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Loss before income tax expense	**(18,325)**	(31,466)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(3,024)**	(5,192)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**185**	(229)
Tax effect of expenses not deductible for tax purpose	**3,161**	4,058
Tax effect of income not taxable for tax purpose	**(487)**	(20)
Tax effect of tax losses not recognised	**1,498**	1,525
Utilisation of tax losses previously not recognised	**(1,059)**	—
Tax effect of other deductible temporary differences not recognised	**(274)**	(142)
Under provision in respect of prior year	**2**	—
Income tax expense	**2**	—

In February 2018, the Hong Kong Inland Revenue Department ("**IRD**") initiated a tax audit on certain subsidiaries of the Company. As the year of assessment 2011/12 would be statutorily time-barred after 31 March 2018, the IRD had issued assessment/additional assessments amounting to HK$648,000 to these subsidiaries to keep the year of assessment 2011/12 open for review. Objection against these assessment/additional assessment has been duly lodged by the subsidiaries and no additional payment is required to be made by the Group up to 31 December 2019.

13. INCOME TAX EXPENSE (CONTINUED)

In March 2019, the IRD issued additional assessments amounting to HK$485,000 to these subsidiaries for the year of assessment 2012/13. Objection against these additional assessments has been duly lodged by the subsidiaries and no additional payment is required to be made by the subsidiaries up to 31 December 2019.

In January 2020, the IRD issued additional assessments amounting to HK$465,000 to these subsidiaries for the year of assessment 2013/14. Objection against these additional assessments has been duly lodged by the subsidiaries by February 2020 and a tax reserve certificate of HK$155,000 for conditional holdover order of objection against these additional assessments was purchased by the Group in April 2020.

Up to the date of approval of these financial statements, tax audit commenced by the IRD was at a preliminary stage pending fact-finding with different views to be exchanged with the IRD, and the outcome of the tax audit cannot be readily ascertained with reasonable certainty. Nevertheless, management has performed an assessment based on existing facts and circumstances, and considers that the aforementioned subsidiaries have properly prepared and filed their Hong Kong Profits Tax returns in prior years. Therefore, no additional provision of Hong Kong Profits Tax is required to be made in the consolidated financial statements for the year ended 31 December 2019 in respect of prior years. Management have already sought assistance from tax specialists in handling the tax audit.

14. LOSS PER SHARE

The calculations of basic and diluted loss per share is based on the Group's loss for the year ended 31 December 2019 of approximately HK$18,327,000 (2018: approximately HK$31,466,000) attributable to owners of the Company and the weighted average number of 382,704,000 ordinary shares (2018: 382,704,000) in issue during the year ended 31 December 2019.

For the years ended 31 December 2019 and 2018, basic and diluted loss per share are the same as there are no potential dilutive ordinary shares in issue for both years.

15. 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
Cost					
At 1 January 2019	**7,287**	**5,600**	**11,753**	**2,063**	**26,703**
Additions	**19**	**48**	**320**	**769**	**1,156**
Disposal	**–**	**(82)**	**(1,077)**	**(2,124)**	**(3,283)**
Exchange realignment	**(28)**	**(2)**	**–**	**(8)**	**(38)**
At 31 December 2019	**7,278**	**5,564**	**10,996**	**700**	**24,538**
Accumulated depreciation and impairment					
At 1 January 2019	**7,218**	**5,451**	**11,570**	**1,958**	**26,197**
Depreciation	**27**	**44**	**227**	**202**	**500**
Eliminated on disposals	**–**	**(83)**	**(1,076)**	**(1,502)**	**(2,661)**
Exchange realignment	**(29)**	**(2)**	**–**	**(8)**	**(39)**
Impairment losses (note)	**–**	**24**	**210**	**–**	**234**
At 31 December 2019	**7,216**	**5,434**	**10,931**	**650**	**24,231**
Net book value					
At 31 December 2019	**62**	**130**	**65**	**50**	**307**
Cost					
At 1 January 2018	7,431	6,117	13,654	2,106	29,308
Additions	–	19	–	–	19
Disposal	–	(527)	(1,901)	–	(2,428)
Exchange realignment	(144)	(9)	–	(43)	(196)
At 31 December 2018	7,287	5,600	11,753	2,063	26,703
Accumulated depreciation and impairment					
At 1 January 2018	7,326	5,947	13,422	1,951	28,646
Depreciation	32	38	49	46	165
Eliminated on disposals	–	(527)	(1,901)	–	(2,428)
Exchange realignment	(140)	(7)	–	(39)	(186)
At 31 December 2018	7,218	5,451	11,570	1,958	26,197
Net book value					
At 31 December 2018	69	149	183	105	506

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

As at 31 December 2019, management considered that there were impairment indicators because of loss incurred by its retail stores in 2019 and hence carried out an impairment testing on its retail business segment. The items of property, plant and equipment (including furniture and fixtures and leasehold improvement) and the right-of-use assets (note 20(b)) (collectively the "**Relevant Assets**") are grouped together which constitute individual CGU for the purpose of impairment assessment.

The recoverable amounts of the CGUs comprising each of the retail stores have been determined by management with reference to value in use calculations, using cash flow projections from the latest financial budgets covering their respective lease terms, based on growth rate of 0%, gross profit margin of 65% and discount rate of 7%.

The growth rates and gross profit margin within the budget periods are estimated by management after having taken into consideration of the past performance of the CGUs, industry growth forecasts, and future business plan of the Group. In view of the carrying amounts of the Relevant Assets being higher than the recoverable amounts of the CGUs, impairment losses of property, plant and equipment and right-of-use assets of approximately HK$234,000 and HK$2,923,000, respectively, have been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

16. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**6,034**	7,800
Work in progress	**1,269**	1,627
Finished goods	**5,998**	4,669
	13,301	14,096

A reversal of write-down of inventories of HK$1,973,000 during the year ended 31 December 2019 was mainly due to utilisation of certain written-down raw materials for production of finished goods which were sold above their carrying amounts.

The write-down of inventories of HK$6,127,000 for the year ended 31 December 2018 was mainly due to decrease in the estimated net realisable value of certain slow moving inventories with reference to the latest selling price or usage.

17. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**12,590**	8,046
Less: impairment loss	**(947)**	(972)
	11,643	7,074

No credit term is granted to customers from the Group's retail business. Other customers are generally granted with credit terms of 30 to 90 days from the date of billing. The ageing analysis of trade receivables based on invoice date (net of impairment loss) at the end of reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Less than 30 days	**1,294**	1,052
31 to 60 days	**8,909**	4,844
61 to 90 days	**937**	648
91 to 120 days	**288**	101
121 to 365 days	**95**	308
More than 365 days	**120**	121
	11,643	7,074

The Group recognised impairment loss based on the accounting policy stated in note 4(e)(ii).

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 31(iii).

18. TRADE PAYABLES

The ageing analysis of trade payables at the end of reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Less than 30 days	**939**	1,268
31 to 60 days	**1,239**	570
61 to 90 days	**147**	103
91 to 120 days	**—**	23
121 to 365 days	**202**	307
More than 365 days	**436**	372
	2,963	2,643

19. AMOUNTS DUE FROM/TO FORMER FELLOW SUBSIDIARIES, A FORMER INTERMEDIATE HOLDING COMPANY AND A DIRECTOR

Except for the amounts due to former fellow subsidiaries and a former intermediate holding company are due for repayment as at 31 December 2019, the remaining amounts are unsecured, interest free and repayable on demand.

20. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures as detailed in note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, are disclosed in note 4(d).

Nature of leasing activities (in the capacity as lessee)

The Group leases six properties in the jurisdictions from which it operates. Leases of properties comprise only fixed payment over the lease term.

(a) Future lease payments as at 31 December 2019 and as at 1 January 2019 are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
31 December 2019			
Not later than one year	**6,020**	**(239)**	**5,781**
Later than one year and not later than two years	**1,537**	**(10)**	**1,527**
	7,557	**(249)**	**7,308**
1 January 2019 note			
Not later than one year	4,287	(448)	3,839
Later than one year and not later than two years	3,767	(190)	3,577
Later than two years and not later than five years	877	(8)	869
	8,931	(646)	8,285

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 by recognition of lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 2(a) for further details about transition.

20. LEASES (Continued)

Nature of leasing activities (in the capacity as lessee) (Continued)

(a) (Continued):

The present value of future lease payments are analysed as:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Current liabilities	**5,781**	3,839
Non-current liabilities	**1,527**	4,446
	7,308	8,285

	2019 HK$
Short-term lease expense	**4,053**
Expense relating to variable lease payments not included in the measurement of lease liabilities	**10**
Aggregate undiscounted commitments for short-term leases	**1,391**

(b) Measurements of amounts recognised in the consolidated statement of financial position and consolidated statement of comprehensive income during the year ended 31 December 2019:

	Properties leased for own use carried at depreciated costs	
	Right-of-use assets HK$'000	**Lease liabilities HK$'000**
As at 1 January 2019 (note 2(a)(i))	**8,285**	8,285
Additions	**4,546**	4,307
Depreciation	**(5,643)**	—
Interest expense	**—**	528
Payments of lease liabilities (note 30(b))	**—**	(5,785)
Impairment loss (note)	**(2,923)**	—
Exchange realignment	**(24)**	(27)
As at 31 December 2019	**4,241**	7,308

Note: As mentioned in note 15, impairment loss has been recognised on the right-of-use assets which amounted to approximately HK$2,923,000 for the year ended 31 December 2019.

20. LEASES (Continued)

Nature of leasing activities (in the capacity as lessee) (Continued)

(c) Operating leases — lessee

The total future minimum lease payments as at 31 December 2018 are due as follows:

	HK$
Within one year	7,133
After one year but not later than five years	3,709
	10,842

The Group is the lessee in respect of a number of properties and factories held under leases which were previously classified as operating leases under HKAS 17.

21. UNRECOGNISED DEFERRED TAXATION

As at 31 December 2019, the Group had unused tax losses of approximately HK$80,455,000 (2018: HK$85,878,000) and other deductible temporary differences of approximately HK$2,897,000 (2018: HK$4,459,000). The unused tax losses and other deductible temporary differences of approximately HK$68,919,000 (2018: HK$61,898,000) and HK$2,897,000 (2018: HK$4,459,000), respectively, can be carried forward indefinitely, while the remaining unused tax losses of approximately HK$11,536,000 (2018: HK$23,980,000) will expire in five years from the respective date of incurrence. Deferred tax assets have not been recognised in relation to such unused tax losses and deductible temporary differences due to unpredictability of future profit streams.

As at 31 December 2019, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$11,113,000 (31 December 2018: HK$10,819,000) 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.

22. SHARE CAPITAL

(a) *Authorised and issued share capital*

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**2,000,000,000**	20,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**382,704,000**	3,827

(b) *Capital management policy*

The Group regards the share capital and reserves attributable to owners of the Company as its capital which amounted to approximately HK$9,505,000 (2018: approximately HK$28,057,000) as shown in the consolidated statement of financial position as at 31 December 2019.The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may raise bank or other borrowings and adjust the amount of dividends paid to shareholders.

No changes were made in the objectives or policies during the year ended 31 December 2019.

23. DIVIDENDS

The directors of the Company do not recommend the payment of interim or final dividends for the years ended 31 December 2019 and 2018.

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**31,663**	39,463
Current assets			
Other receivables		**821**	769
Amounts due from former fellow subsidiaries	19	**8**	8
Bank balances and cash		**1,165**	3,869
		1,994	4,646
Current liabilities			
Accrued charges and other payables		**2,374**	2,201
Amounts due to subsidiaries		**5,107**	3,435
Amounts due to former fellow subsidiaries	19	**8,171**	8,171
Amount due to a former intermediate holding company	19	**5,590**	5,590
Amount due to a director	19	**8,000**	—
		29,242	19,397
Net current liabilities		**(27,248)**	(14,751)
Net assets		**4,415**	24,712
Capital and reserves			
Share capital	22	**3,827**	3,827
Reserves	25	**588**	20,885
Total equity		**4,415**	24,712

On behalf of the Board

Zhao Jingfei
Executive Director

Fan Xin
Executive Director

25. RESERVES

	Share premium HK$'000 (note (i))	Accumulated losses HK$'000 (note (ii))	Total HK$'000
At 1 January 2018	**125,931**	**(68,872)**	**57,059**
Loss and total comprehensive income for the year	**—**	**(36,174)**	**(36,174)**
At 31 December 2018 and 1 January 2019	**125,931**	**(105,046)**	**20,885**
Loss and total comprehensive income for the year	**—**	**(20,297)**	**(20,297)**
At 31 December 2019	**125,931**	**(125,343)**	**588**

Notes:

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
(i) Share premium	Amount subscribed for share capital in excess of nominal value
(ii) Accumulated losses	Cumulative net gains and losses recognised in profit or loss
(iii) Foreign exchange reserve	Gains/losses arising on retranslating the financial statements of operations outside Hong Kong into presentation currency

26. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2019 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
Chanco International Holding Limited	The BVI/Hong Kong	Ordinary shares United States Dollars ("**USD**") 1,000	100%	–	Investment holding
Sun Ray Manufactory, Limited	Hong Kong	Non-voting deferred shares HK$6 Ordinary shares HK$2	– 	100%	Manufacturing and trading of leather products
Elite Leatherware Company Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Trading of leather products
Talent Union Development Limited	The BVI/Hong Kong	Ordinary shares USD8	–	100%	Investment holding
東莞藝聯皮具有限公司 Dongguan Ngai Luen Leather Goods Company Limited (note)	The PRC	Paid up registered capital HK$5,600,000	–	100%	Manufacturing and trading of leather products
東莞思捷皮具有限公司 Dongguan Sze Cheik Leather Goods Company Limited (note)	The PRC	Paid up registered capital HK$5,000,000	–	100%	Manufacturing and trading of leather products
Amid Success Holdings Limited	The BVI/Hong Kong	Ordinary shares USD1	–	100%	Investment holding
Urban Stranger Company Limited	Hong Kong	Ordinary shares HK$1	–	100%	Retail of fashion apparel, footwear and leather accessories
Elite Ascent Investments Limited	The BVI	Ordinary shares USD1	100%	–	Inactive
Grandeur Smart Enterprises Limited	The BVI	Ordinary shares USD1,000	100%	–	Inactive

Note: These subsidiaries are wholly foreign-owned enterprises established in the PRC.

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

27. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years:

(i) During the year ended 31 December 2018, the Group disposed of its entire 30% equity interest in a jointly controlled entity to another shareholder of the jointly controlled entity as detailed in note 9.

(ii) Interest expenses of HK$87,000 were paid to a jointly controlled entity in relation to advance from the jointly controlled entity during the year ended 31 December 2018.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**5,770**	4,535
Post-employment benefits	**—**	40
	5,770	4,575

28. CONTINGENT LIABILITY

As at 31 December 2019, the Group had a contingent liability of approximately HK$427,000 (2018: Nil) in respect of a bank guarantee given in favour of a landlord in lieu of rental deposit.

29. 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.

30. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) *Cash and cash equivalents comprise:*

	2019 HK$'000	2018 HK$'000
Cash available on demand	**15,470**	25,729

(b) Reconciliation of liabilities arising from financing activities during the years ended 31 December 2018 and 2019:

	Amount due to a jointly controlled entity HK$'000	Amounts due to former fellow subsidiaries HK$'000	Amount due to a former intermediate holding company HK$'000	Amount due to a director HK$'000	Lease liabilities (Note 20(a)) HK$'000
At 1 January 2018	–	7,206	5,590	–	–
Changes from cash flows:					
Net cash (outflows)/inflows (note)	(87)	965	–	–	–
Non-cash transactions:					
Accrued interest expenses	87	–	–	–	–
Total changes from financing cash flows:	–	8,171	5,590	–	–
At 31 December 2018	–	8,171	5,590	–	–
Impact on initial application of HKFRS 16	–	–	–	–	8,285
At 1 January 2019	**–**	**8,171**	**5,590**	**–**	**8,285**
Changes from cash flows:					
Net cash inflows/(outflows)	**–**	**–**	**–**	**8,000**	**(5,785)**
Non-cash transactions:					
Addition of new leases	**–**	**–**	**–**	**–**	**4,307**
Accrued interest expenses	**–**	**–**	**–**	**–**	**528**
Exchange adjustments	**–**	**–**	**–**	**–**	**(27)**
At 31 December 2019	**–**	**8,171**	**5,590**	**8,000**	**7,308**

Note: The Group had obtained interest-bearing advance from a jointly controlled entity of HK$6,500,000 and had been repaid in full during the year ended 31 December 2018. Interest expenses of HK$87,000 were paid in 2018.

31. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, credit and liquidity risks arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

(i) Currency risk

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

The carrying amounts of the relevant group entities' financial instruments denominated in RMB other than their respective functional currency at the end of respective reporting periods are insignificant.

Accordingly, the directors considered any reasonably possible appreciation or depreciation of RMB against HK$ at the end of respective reporting periods, with all other variables held constant, would have insignificant effects on the loss for the year or other components of equity of the Group.

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 to enter 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits paid, amounts due from former subsidiaries and bank balances and cash. The Group's exposure to credit risk arising from bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. The amounts due from its one (2018: three) customer as at 31 December 2019 amounted to approximately HK$7,450,000 (2018: HK$4,770,000) which accounted for approximately 64% (2018: 67%) of the trade receivables.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivable as at 31 December 2019:

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Current (not past due)	**0.4%**	**9,309**	**(35)**	**9,274**
1–30 days past due	**1%**	**1,861**	**(22)**	**1,839**
31–60 days past due	**3%**	**323**	**(9)**	**314**
61–90 days past due	**4%**	**99**	**(4)**	**95**
91–365 days past due	**N/A**	**—**	**—**	**—**
Over 365 days past due	**88%**	**998**	**(877)**	**121**
		12,590	**(947)**	**11,643**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivable as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Current (not past due)	1%	4,381	(43)	4,338
1–30 days past due	3%	1,514	(45)	1,469
31–60 days past due	5%	648	(32)	616
61–90 days past due	10%	102	(10)	92
91–365 days past due	15%	308	(46)	262
366–730 days past due	21%	377	(80)	297
More than 730 days past due	100%	716	(716)	—
		8,046	(972)	7,074

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Movement in the loss allowance account in respect of trade receivable during the year is as follows:

	2019 HK$'000	2018 HK$'000
Balance at 1 January	**972**	761
Reversal of impairment losses	**(25)**	—
Impairment losses recognised	**—**	211
Balance at 31 December	**947**	972

The decrease in impairment loss during the year ended 31 December 2019 is mainly due to decrease in balances of trade receivables past due for over 365 days.

Other financial assets at amortised cost

As at 31 December 2019 and 2018, in addition to the bank balances and cash which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly included rental and other debtors.

In accordance with the accounting policies on impairment loss assessment as set out in note 4(e)(ii), the Group has assessed that there was no significant increase in credit risk since the initial recognition of the other financial assets at amortised cost to 31 December 2019 and 2018 and accordingly, the measurement of the expected credit loss is based on 12 months ECLs which was considered by the directors of the Company to be insignificant and therefore no ECLs was recognised as at 31 December 2019 and 2018.

(iv) Liquidity risk

Internally generated cash flows are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes maintaining adequate bank balances to meet its requirement of operations. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group's financial liabilities comprise trade payables, other payables and accrued charges (excluding contract liabilities) and amounts due to former fellow subsidiaries, a former intermediate holding company and a director maturing in less than one year or repayable on demand and their contractual undiscounted payments approximate their carrying amounts included in the consolidated statement of financial position which amounted to HK$37,464,000 (2018: HK$23,890,000).

As mentioned in note 3(d), the Group has undertaken certain measures to increase its available working capital to enable it to continue to operate as going concern.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Fair values

As at 31 December 2019 and 2018, the Group has no financial instruments carried at fair value. The directors of the Company consider the fair values of the Group's financial assets and financial liabilities approximate their carrying amounts as at the end of respective reporting periods.

32. EVENT AFTER THE REPORTING PERIOD

The outbreak of COVID-19 since January 2020 spread rapidly around the world. Due to the restriction of work in the Guangdong Province implemented by the PRC government to contain the COVID-19 transmission, the Group stopped its production lines from late January to early February 2020. The directors consider that COVID-19 has not resulted in a material impact to the Group up to the date of approval of these financial statements but its continuous spread around the world gives rise to increasing uncertainties to the global economy. The Group will closely monitor and evaluate the impact brought from COVID-19.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 11 May 2020.

FIVE YEAR FINANCIAL SUMMARY

31 December 2019

A summary of the published results, assets and liabilities of the Group for the last five financial periods is set out as follows:

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Nine month ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Results					
Loss for the year/period	**(18,327)**	(31,466)	(14,225)	(10,795)	(28,052)

		As at December			As at 31 March
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2016 HK$'000
Assets and liabilities					
Total assets	**48,642**	52,230	87,639	79,735	80,606
Total liabilities	**(39,137)**	(24,173)	(26,113)	(29,076)	(18,441)
Total equity	**9,505**	28,057	61,526	50,659	62,165

Glossary

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings:

"Audit Committee"	means	the audit committee of the Company
"Board"	means	the Board of Directors
"CG Code"	means	code on corporate governance practices as set out in Appendix 14 to the Listing Rules
"Company"	means	China International Development Corporation Limited (formerly known as Ascent International Holdings Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 12 April 2002 and the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	means	the Director(s) of the Company
"Group"	means	the Company and its subsidiaries
"HK$" and "HK cents"	means	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	means	the nomination committee of the Company
"OEM"	means	original equipment manufacturer or manufacturing
"PRC"	means	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	means	Renminbi, the lawful currency of the PRC
"Remuneration Committee"	means	the remuneration committee of the Company
"Share(s)"	means	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	means	holder(s) of issued Share(s)
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited
"USA"	means	the United States of America

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