China International Development Corporation Limited
中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 264)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of China International Development Corporation Limited (the "**Company**") is pleased to present the unaudited annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous year as below. For the reasons explained in the paragraph headed "Further Announcement" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000** **(unaudited)**	2018 HK$'000 (audited)
Revenue	4	**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)

	Notes	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Reversal of impairment/(impairment loss) on trade and bill receivables, net		**25**	(211)
Finance costs		**(528)**	(87)
Share of loss of a jointly controlled entity		**—**	(1,986)
Loss before income tax expense	6	**(18,325)**	(31,466)
Income tax expense	7	**(2)**	—
Loss for the year attributable to owners of the Company		**(18,327)**	(31,466)
Other comprehensive income			
Items 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	8	**(HK4.79 cents)**	(HK8.22 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**307**	506
Deposits paid		**1,198**	584
Right-of-use assets	2a	**4,241**	—
		5,746	1,090
Current assets			
Inventories		**13,301**	14,096
Trade and bills receivables	9	**11,643**	7,074
Other receivables, deposits and prepayments		**2,209**	3,965
Amounts due from former fellow subsidiaries		**8**	8
Tax recoverable		**265**	268
Bank balances and cash		**15,470**	25,729
		42,896	51,140
Current liabilities			
Trade payables	10	**2,963**	2,643
Other payables and accrued charges		**7,105**	7,769
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**	—
Lease liabilities	2a	**5,781**	—
		37,610	24,173
Net current assets		**5,286**	26,967
Total assets less current liabilities		**11,032**	28,057

	Notes	**2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Non-current liabilities			
Lease liabilities	2a	**1,527**	—
Net assets		**9,505**	28,057
Capital and reserves attributable to owners of the Company			
Share capital	11	**3,827**	3,827
Reserves		**5,678**	24,230
Total equity		**9,505**	28,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Companies Law 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 is 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 a number of 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 reporting cycle

The adoption of the above new/revised HKFRSs except for HKFRS 16 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.

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(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 for the year ended 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision 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 (unaudited)
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

Line items of consolidated statement of profit or loss for the year ended 31 December 2019

	HK$'000 (unaudited)
Decrease in operating leases 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 (unaudited)
Increase in net cash generated from operating activities	
— Decrease in operating leases charges	5,785
Increase in net cash used in 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 the end of 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 (unaudited)
Operating lease commitments as at 31 December 2018	10,842
Less: Short-term lease ends in the year ended 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%.

(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.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of the underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(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 low-value assets and 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-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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 of 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 a 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 provision 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.

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 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated 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

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 consolidated 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 consolidated 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 Certifies 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 loss for the year ended 31 December 2019. The loss for the year ended 31 December 2019 amounted to approximately HK$18,327,000 and the net current assets and the net assets had decreased to approximately HK$5,286,000 and approximately HK$9,505,000 respectively as at 31 December 2019. 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 meet its financial obligations as and when they fall due within 12 months from 31 December 2019 after taking into account of the following:

(i) the Group will be able to maintain its scale of existing business at least similar to that of the year ended 31 December 2019 and to undertake certain measures to reduce operating expenses so as to reduce the Group's operating loss and working capital requirements during the Forecasted Period;

(ii) The Group 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 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

(iii) The company has requested its ultimate controlling shareholder, Mr. Zhao to provide a loan facility of HK$20 million with maturity of 24 months from date of drawn down to the Company so as to strengthen the Group's available working capital. The directors consider that the Company will be able to utilise this loan facility as necessary to meet the Group's working capital requirements.

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 re-classify non-current assets to current assets. The effect of these adjustments have not been reflected in the consolidated financial statements.

4. 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	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Sales 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 sales 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 and bills receivables and contract liabilities from contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and bills receivables *(note 9)*	**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 in contract liabilities are set out below:

Movements in contract liabilities

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

Contract liabilities as at 31 December 2019 will be recognised as revenue for the year ended 31 December 2020.

5. 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*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
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.

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

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
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
Unallocated depreciation of property, plant and equipment	**201**	38
Consolidated depreciation of property, plant and equipment	**500**	165

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
Additions to non-current assets *(note (ii))*		
Reportable segment additions	**4,920**	—
Unallocated additions	**782**	19
Consolidated additions to non-current assets	**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
Unallocated corporate assets	**969**	950
Consolidated total assets	**48,642**	52,230
Liabilities		
Reportable segment liabilities	**15,002**	8,211
Amounts due to a director	**8,000**	—
Unallocated corporate liabilities *(note (iii))*	**16,135**	15,962
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 employee costs.

(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*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Hong Kong (place of domicile)	**13,511**	23,179	**367**	262
Europe	**10,134**	14,343	**—**	—
The People's Republic of China ("**PRC**")	**1,566**	2,143	**4,181**	244
The United States of America ("**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 over 10% of the Group's revenue is set out below:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Customer A	**26,380**	11,175

6. LOSS BEFORE INCOME TAX EXPENSE

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

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Auditor's remuneration	**865**	800
Cost of inventories	**32,415**	41,925
Employee costs, excluding directors' emoluments	**26,334**	30,753
Depreciation of property, plant and equipment	**500**	165
Depreciation of right-of-use assets	**5,643**	—
Gain on disposal of property, plant and equipment	**(31)**	—
Loss of disposal of a jointly controlled entity	**—**	204
(Reversal of impairment)/impairment loss on trade and bills receivables, net	**(25)**	211
(Reversal of write-down)/write-down of inventories, net (included in cost of sales)	**(1,973)**	6,127
Write-off of long outstanding other payables	**—**	(912)
Short-term lease expense	**4,053**	—
Provision for termination of a tenancy agreement	**446**	—
Foreign exchange gains, net	**(29)**	(537)
Interest income	**(205)**	(78)

7. 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%).

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 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 subsidiaries up to 31 December 2019.

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 in February 2020 and pending for the IRD's reply.

Up to the present, the tax audit has not yet been commenced by the IRD and is still pending for fact-finding with different views to be exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with reasonable certainty. Nevertheless, management has performed assessment and based on the existing facts and circumstances, and consider the aforementioned subsidiaries have properly complied with the applicable Inland Revenue Ordinance in preparation of their Hong Kong Profits Tax computations for prior years. Therefore, for the purpose of the current year's Hong Kong Profits Tax computation of these subsidiaries, management have followed the same basis as adopted in the prior years and consider 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 the current and prior years. Management have sought assistance from tax specialists in handling the tax audit.

8. 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 HK31,466,000) 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.

9. TRADE AND BILLS RECEIVABLES

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Trade and bills 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 and bills receivables based on invoice date (net of impairment loss) at the end of reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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

10. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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

11. 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 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.

12. DIVIDENDS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 a 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.

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.

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 the combined effect of increase in trade and bills 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.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 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 Provisions A.2.1 and C.2.5 in respect of the separation of roles of the chairman of the Board (the "**Chairman**" or "**Chairlady**") and chief executive of the Company.

Under the Code Provision A.2.1 of the CG Code, the roles of chairman 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 was 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 the Chairlady, Mr. Zhao Jingfei has been appointed as the Chairman and Mr. Fan Xin as the chief executive officer (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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding the 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.

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.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "**Audit Committee**") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. The audit committee currently comprises Ms. Han Yu (Chairlady), Ms. Jia Lixin and Mr. Rong Yi. The Audit Committee has reviewed and discussed with the management in relation to financial reporting matters including but not limited to the unaudited annual results for the year ended 31 December 2019.

The unaudited annual results contained herein have not been agreed with the Company's auditors

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals 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 COMPANY'S 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 (2018: Nil).

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., Limited ("**Waterfront**") to acquire all the issued shares of the Company (other than those already beneficially owned or acquired by Waterfront 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 Waterfront 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 announcement.

COMPETING INTERESTS

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 may 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 announcement.

FURTHER ANNOUNCEMENT

Due to the outbreak of the COVID-19 epidemic, the audit process has been delayed, additional time is required for the auditors of the Company to finalise the audited annual results for the year ended 31 December 2019. The unaudited annual results contained herein have not yet been agreed with the Company's auditors.

Following the completion of the auditing process, the Company will issue further announcement in relation to (i) the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, which is expected to be issued on or before end of April 2020; (ii) the proposed date on which the forthcoming annual general meeting of the Company (the "**AGM**") will be held, and (iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the AGM. In addition, the Company will despatch the annual report according to the Listing Rules and, in any event, on or before 15 May 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.irasia.com/listco/hk/cidc/index.htm) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 December 2019 containing all the information required by the Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Zhao Jingfei, Mr. Fan Xin and Mr. Qin Bohan; and the independent non-executive Directors are Ms. Han Yu, Ms. Jia Lixin and Mr. Rong Yi.