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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of China International Development Corporation Limited (the "**Company**") is pleased to present the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the previous year as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	*3, 4*	**39,771**	61,202
Cost of sales		**(27,837)**	(32,415)
Gross profit		**11,934**	28,787
Other income and gains	*4*	**2,772**	518
Selling and distribution costs		**(4,358)**	(12,171)
Administrative and other operating expenses		**(25,155)**	(31,799)
Impairment of other receivables		**(192)**	—
(Impairment)/Reversal of impairment of trade receivables		**(176)**	25
Impairment of property, plant and equipment		**(1,545)**	(234)

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Impairment of right-of-use assets		**(4,502)**	(2,923)
Finance costs		**(536)**	(528)
Loss before tax	*5*	**(21,758)**	(18,325)
Income tax expense	*6*	**—**	(2)
Loss for the year attributable to owners of the Company		**(21,758)**	(18,327)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of operations outside Hong Kong		**977**	(225)
Other comprehensive income for the year		**977**	(225)
Total comprehensive income for the year attributable to owners of the Company		**(20,781)**	(18,552)
Loss per share attributable to owners of the Company			
— Basic and diluted	*8*	**HK(5.7) cents**	HK(4.8) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**233**	307
Deposits paid		**1,677**	1,198
Right-of-use assets		**1,853**	4,241
Total non-current assets		**3,763**	5,746
Current assets			
Inventories		**11,265**	13,301
Trade receivables	*9*	**9,833**	11,643
Prepayments, deposits and other receivables		**3,532**	2,209
Due from former fellow subsidiaries		**8**	8
Due from a related company		**543**	—
Tax recoverable		**438**	265
Pledged time deposit	*10*	**430**	429
Cash and cash equivalents		**2,280**	15,041
Total current assets		**28,329**	42,896
Current liabilities			
Trade payables	*11*	**2,746**	2,963
Other payables and accruals		**7,561**	7,105
Due to former fellow subsidiaries		**8,171**	8,171
Due to a former intermediate holding company		**5,590**	5,590
Due to a director		**263**	—
Loan from a director	*12*	**8,000**	8,000
Lease liabilities		**5,523**	5,781
Total current liabilities		**37,854**	37,610
Net current (liabilities)/assets		**(9,525)**	5,286

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Total assets less current liabilities		**(5,762)**	11,032
Non-current liabilities			
Loan from ultimate controlling shareholder	*13*	**3,262**	—
Lease liabilities		**1,863**	1,527
Total non-current liabilities		**5,125**	1,527
Net (liabilities)/assets		**(10,887)**	9,505
(Deficiency in assets)/Equity attributable to owners of the Company			
Share capital	*14*	**3,827**	3,827
Reserves		**(14,714)**	5,678
Total (deficiency in assets)/equity		**(10,887)**	9,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

China International Development Corporation Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company was located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in (i) manufacturing and distribution of leather products; and (ii) retail of fashion apparel, footwear and leather accessories. During the year, the Group has obtained the relevant permit to plant industrial hemp in the Mainland China (the "**PRC**") and extended its business into the industrial hemp planting and production of hemp fabric products.

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "**Listing Rules**") of the Stock Exchange. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the majority number of operating subsidiaries in the Group and all values are rounded to the nearest thousand except when otherwise indicated.

The Group (i) incurred a substantial loss of approximately HK$21,758,000 for the year and had net current liabilities and deficiency in assets of approximately HK$9,525,000 and HK$10,887,000, respectively, as at 31 December 2020; and (ii) had cash and cash equivalents of approximately HK$2,280,000 only to meet its financial obligations as at 31 December 2020. 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.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Directors have prepared a cash flow forecast of the Group and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from 31 December 2020 after taking into account of the following measures:

(i) the Company has obtained a letter of undertaking from Mr. Qin Bohan ("**Mr. Qin**"), an executive director of the Company, that he would not demand for repayment of the amount due to him of HK$8,000,000 as at 31 December 2020 until the Company is in a position to do so;

(ii) subsequent to the end of the reporting period, on 26 March 2021, the Company and Mr. Qin entered into another loan agreement, pursuant to which, Mr. Qin granted an unsecured interest-free loan facility up to RMB30,000,000 (equivalent to approximately HK$35,750,000) for a term of two years, which has been fully drawn down by the Company as at the date of this announcement;

(iii) the Company and Mr. Zhao entered into a loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao granted an interest-free and unsecured loan facility up to HK$20,000,000 to the Company for a term of two years, none of which has been utilised as at the end of the reporting period and the date of this announcement; and

(iv) the Company has obtained a letter of support from Mr. Zhao confirming his willingness to further provide for adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 24 months from 31 December 2020.

The consolidated financial statements do not include any adjustment that would result from a failure to obtain such funding and undertaking which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts and to provide for further liabilities which might arise.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any significant impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$525,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 17	Insurance Contracts[3, 6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3, 5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK (IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK (IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of (i) manufacturing and distribution of leather products; and (ii) retail of fashion apparel, footwear and leather accessories. Upon obtaining the relevant permit in June 2020, the Group extended its business into the industrial hemp planting and production of hemp fabric products (the "**Industrial Hemp Planting Business**"). However, the Industrial Hemp Planting Business did not form a separate reportable segment as it was still in a preliminary development stage and had not built its scale during the year.

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 segments:

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

The Group's chairman, who is the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude amounts due from former fellow subsidiaries and a related company, tax recoverable, and unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to former fellow subsidiaries, a former intermediate holding company and a director, loan from a director and ultimate controlling shareholder and unallocated corporate liabilities as these liabilities are managed on a group basis. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

(a) Reportable segments

	Leather Manufacturing Business		Leather Retail Business		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**36,743**	50,190	**3,028**	11,012	**39,771**	61,202
Inter-segment revenue	**104**	1,935	**797**	—	**901**	1,935
Reportable segment revenue	**36,847**	52,125	**3,825**	11,012	**40,672**	63,137
Reportable segment loss	**(4,828)**	3,128	**(7,286)**	(9,275)	**(12,114)**	(6,147)
Depreciation of property, plant and equipment	**70**	275	**76**	225	**146**	500
Depreciation of right-of-use assets	**3,975**	4,020	**626**	1,623	**4,601**	5,643
Impairment of property, plant and equipment and right-of-use assets	**—**	—	**4,674**	3,157	**4,674**	3,157
Write down/(Write back) of inventories	**244**	(2,142)	**370**	169	**614**	(1,973)
Additions to non-current assets *(note)*	**1,502**	810	**5,361**	4,892	**6,863**	5,702
Reportable segment assets	**25,260**	41,062	**4,551**	5,234	**29,811**	46,296
Reportable segment liabilities	**9,000**	11,177	**5,499**	3,825	**14,499**	15,002

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

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**40,672**	63,137
Elimination of inter-segment revenue	**(901)**	(1,935)
Consolidated revenue	**39,771**	61,202
Loss before tax		
Reportable segment loss	**(12,114)**	(6,147)
Elimination of inter-segment losses	**419**	355
Interest income	**48**	205
Unallocated corporate expenses *(note (i))*	**(10,111)**	(12,738)
Consolidated loss before tax	**(21,758)**	(18,325)

	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
Reportable segment depreciation	**146**	500
Depreciation of unallocated property, plant and equipment	**—**	—
Consolidated depreciation of property, plant and equipment	**146**	500
Depreciation of right-of-use assets		
Reportable segment depreciation	**4,601**	5,643
Depreciation of unallocated right-of-use assets	**392**	—
Consolidated depreciation of right-of-use assets	**4,993**	5,643
Impairment of property, plant and equipment and right-of-use assets		
Reportable segment impairment	**4,674**	3,157
Unallocated impairment to property, plant and equipment and right-of-use assets	**1,373**	—
Consolidated impairment of property, plant and equipment and right-of-use assets	**6,047**	3,157
Additions to non-current assets *(note (ii))*		
Reportable segment additions	**6,863**	5,702
Unallocated additions to non-current assets	**1,765**	—
Consolidated additions to non-current assets	**8,628**	5,702
Assets		
Reportable segment assets	**29,811**	46,296
Due from former fellow subsidiaries	**8**	8
Due from a related company	**543**	—
Tax recoverable	**438**	265
Unallocated corporate assets	**1,292**	2,073
Consolidated total assets	**32,092**	48,642
Liabilities		
Reportable segment liabilities	**14,499**	15,002
Due to former fellow subsidiaries	**8,171**	8,171
Due to a former intermediate holding company	**5,590**	5,590
Due to a director	**263**	—
Loan from a director	**8,000**	8,000
Loan from ultimate controlling shareholder	**3,262**	—
Unallocated corporate liabilities	**3,194**	2,374
Consolidated total liabilities	**42,979**	39,137

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.

(c) Geographical information

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

	Revenue from external customers *(note)*		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**6,304**	13,511	**2,726**	988
Europe	**8,229**	10,134	**—**	—
The PRC	**14**	1,566	**1,037**	4,758
United States of America	**22,707**	28,095	**—**	—
Other countries	**2,517**	7,896	**—**	—
Total	**39,771**	61,202	**3,763**	5,746

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

(d) Information about major customers

Revenue from a customer that contributing over 10% of the total revenue of the Group is as follow:

	2020	2019
	HK$'000	*HK$'000*
Customer A*	**20,578**	26,380
Customer B*	**4,284**	N/A#
	24,862	26,380

* Customer arising from the Leather Manufacturing Business segment.

\# The corresponding revenue from such customer did not contribute 10% or more of the Group's total revenue for the year ended 31 December 2019.

The Group's customer base is highly concentrated. Revenue may significantly decline if the Group was to lose one or more of its significant customers. The Group seeks to diversify the Group's product portfolio and widen the customer base stream to reduce the concentration risk.

4. REVENUE, OTHER INCOME AND GAINS

The principal activities of the Group are manufacturing and distribution of leather products, and retail of fashion apparel, footwear and leather accessories. During the year, the Group has extended its business into the industrial hemp plantation and production of hemp fabric products, which is still in a preliminary development stage and no revenue has been generated.

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods		
Manufacturing and distribution of leather products	**36,743**	50,190
Retail of fashion apparel, footwear and leather accessories	**3,028**	11,012
	39,771	61,202

Other income and gains

	2020	2019
	HK$'000	*HK$'000*
Exchange gain	**—**	79
Gain on disposal of property, plant and equipment	**—**	31
Interest income	**48**	205
Rent concessions from landlords, as direct consequence from COVID-19 pandemic	**525**	—
Government's subsidies	**1,584***	—
Write back of other payables	**80**	—
Sundries income	**535**	203
	2,772	518

* The Group received unconditional government's subsidies of HK$1,584,000 during the year ended 31 December 2020 in respect of COVID-19 pandemic subsidies in Hong Kong. These were no unfulfilled conditions or contingencies attaching to these government grants.

5. LOSS BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit and other assurance related services	**880**	860
Cost of inventories	**27,837***	32,415*
Employee costs, excluding directors' emoluments		
— Salaries, allowance and other benefits	**17,212**	25,817
— Defined contribution plans	**575**	517
	17,787*	26,334*
Depreciation of property, plant and equipment	**146**	500
Depreciation of right-of-use assets	**4,993**	5,643
Impairment loss on property, plant and equipment	**1,545**	234
Impairment loss on right-of-use assets	**4,502**	2,923
Gain on disposal of property, plant and equipment	**—**	(31)
Impairment/(Reversal of impairment) of trade receivables	**176**	(25)
Impairment of other receivables	**192**	—
Write down/(Write back) of inventories (included in cost of sales)	**614**	(1,973)
Provision for termination of a tenancy agreement	**—**	446
Foreign exchange losses/(gains), net	**629**	(29)
Write back of other payables	**(80)**	—
Interest income	**(48)**	(205)

* Included in employee costs were (i) approximately HK$5,765,000 (2019: HK$5,240,000) being direct labour costs included in the cost of inventories; and (ii) approximately HK$1,573,000 (2019: HK$3,529,000) being salaries included in the selling and distribution costs in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and the CIT have been provided as the Group did not generate any assessable profits arising in Hong Kong and the PRC during the years ended 31 December 2020 and 2019.

Additional tax assessments

In February 2018 and March 2019, the Hong Kong Inland Revenue Department ("**IRD**") initiated a tax audit on certain subsidiaries (the "**Relevant Subsidiaries**") of the Company with additional assessments (the "**AA2012**") of Hong Kong Profits Tax amounting to HK$648,000 raised for the year of assessment 2011/12. Objection against these additional assessments were duly lodged and the AA2012 were held over by IRD unconditionally.

In March 2019, IRD issued additional assessments (the "**AA2013**") of Hong Kong Profits Tax amounting to HK$485,000 for the year of assessment 2012/13 to the Relevant Subsidiaries. Objection against these additional assessments has been duly lodged and the AA2013 were held over by IRD unconditionally.

In January 2020, IRD issued additional assessments (the "**AA2014**") of Hong Kong Profits Tax amounting to HK$465,000 for the year of assessment 2013/14 to the Relevant Subsidiaries. Objection against these additional assessments were duly lodged by the subsidiaries and a tax reserve certificate of HK$155,000 was purchased by the Group for conditional holdover of the AA2014.

Subsequent to the end of the reporting period on 8 March 2021, IRD further issued additional assessments (the "**AA2015**") of Hong Kong Profits Tax amounting to HK$435,000 for the year of assessment 2014/15 to the Relevant Subsidiaries. As at the date of this announcement, the objection against these additional assessments has not yet been lodged by the Relevant Subsidiaries.

The Group has sought assistance and advices from tax specialists in handling the tax audit. Up to the date of this announcement, the tax audit initiated by IRD was still at a preliminary stage pending fact-finding and the outcome of the which cannot be readily ascertained with reasonable certainty. Nevertheless, the Directors have performed an assessment based on existing facts and circumstances, and considered that the Relevant subsidiaries have properly prepared and filed their Hong Kong Profits Tax returns in compliance with the Inland Revenue Ordinance. Accordingly, no additional provision for Hong Kong Profits Tax was considered necessary by the Directors to be made in the consolidated financial statements for the years ended 31 December 2019 and 2020.

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

8. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of Company of approximately HK$21,758,000 (2019: approximately HK$18,327,000) and the number of ordinary shares of 382,704,000 (2019: 382,704,000) in issue during the year. No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during these years.

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**10,956**	12,590
Less: Impairment loss	**(1,123)**	(947)
Net carrying amounts	**9,833**	11,643

No credit term is granted to customers of the Leather Retail Business. Customers of the Leather Manufacturing Business are generally granted with credit terms of 30 to 90 days from the date of invoice.

The ageing analysis of trade receivables (net of impairment loss) at the end of the reporting period, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**5,453**	1,294
31 to 60 days	**3,679**	8,909
61 to 90 days	**685**	937
91 to 120 days	**11**	288
121 to 365 days	**1**	95
More than 365 days	**4**	120
	9,833	11,643

10. PLEDGED TIME DEPOSIT

As at 31 December 2020, time deposits at a bank of approximately HK$430,000 (2019: HK$429,000) are pledged to a bank to secure a bank guarantee given in favour of a landlord in lieu of rental deposits.

11. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Less than 30 days	**1,185**	939
31 to 60 days	**349**	1,239
61 to 90 days	**867**	147
91 to 120 days	**2**	—
121 to 365 days	**2**	202
Over 365 days	**341**	436
	2,746	2,963

12. LOAN FROM A DIRECTOR

On 28 October 2019, the Company entered into a loan agreement with Mr. Qin, pursuant to which, Mr. Qin granted a loan of HK$8,000,000 to the Company which is unsecured, interest free and repayable on demand. Pursuant to a letter of undertaking given by Mr. Qin, Mr. Qin has confirmed to the Company that he will not demand for repayment of the loan due to him until the Company is in a position to do so.

13. LOAN FROM ULTIMATE CONTROLLING SHAREHOLDER

On 29 June 2020, the Group entered into a loan agreement with Mr. Zhao, pursuant to which, Mr. Zhao granted an unsecured interest-free loan of RMB3,000,000 (equivalent to approximately HK$3,575,000) to the Group, which is repayable on or before 30 June 2022. The loan from the ultimate controlling shareholder was classified as non-current liabilities as at 31 December 2020.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 (Ordinary shares of HK$0.01 each)	**2,000,000,000**	20,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 (Ordinary shares of HK$0.01 each)	**382,704,000**	3,827

15. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has the following material events:

(i) On 6 January 2021, an indirect wholly-owned subsidiary of the Company (as lessee) entered into a tenancy agreement (the "**Tenancy Agreement**") with an independent third party (as lessor) in respect of the lease of a factory premises in the PRC for a period from 1 January 2021 to 31 December 2025. The monthly rent payable during the term is RMB200,000 (equivalent to approximately HK$240,000) to RMB242,000 (equivalent to approximately HK$290,000), and the total rent payable under the Tenancy Agreement is approximately RMB12.6 million (equivalent to approximately HK$15.1 million), exclusive of service fee, taxes and utility charges.

(ii) as detailed in note 2.1(ii) to this announcement, on 26 March 2021, the Company and Mr. Qin entered into another loan agreement regarding the loan facility up to RMB30,000,000 (equivalent to approximately HK$35,757,000) to the Company for a term of two years.

16. SCOPE OF WORK OF MESSRS. ASCENDA CACHET CPA LIMITED ("ASCENDA")

The figures in respect of the Group's consolidated and Company's statements of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the Annual Results Announcement have been agreed by the Group's auditor, Ascenda, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ascenda in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda on the announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Material uncertainty relating to going concern

In forming their opinion, the auditor of the Company (the "**Auditor**") have considered the adequacy of the disclosures concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. Without qualifying their opinion, the Auditor draw attention to note 2.1 to the consolidated financial statements which indicates that (i) the Group incurred a substantial loss of approximately HK$21,758,000 during the year and had net current liabilities and deficiency in assets of approximately HK$9,525,000 and HK$10,887,000, respectively, as at 31 December 2020; and (ii) the Group had cash and cash equivalents of approximately of HK$2,280,000 only to meet its financial obligations as at 31 December 2020. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared by the directors (the "**Directors**") of the Company on the basis that the Group will continue to operate as a going concern, the validity of which depends upon the implementation of the following measures:

(i) the Company has obtained a letter of undertaking from Mr. Qin Bohan ("**Mr. Qin**"), an executive director of the Company, that he would not demand for repayment of the amount due to him of HK$8,000,000 as at 31 December 2020 until the Company is in a position to do so;

(ii) subsequent to the end of the reporting period, on 26 March 2021, the Company and Mr. Qin entered into another loan agreement, pursuant to which, Mr. Qin granted an unsecured interest-free loan facility up to RMB30,000,000 (equivalent to approximately HK$35,750,000) for a term of two years, which has been fully drawn down by the Company as at the date of this announcement;

(iii) the Company and Mr. Zhao Jingfei ("**Mr. Zhao**"), an executive director, chairman and the ultimate controlling shareholder of the Company, entered into a loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao granted an unsecured interest-free loan facility up to HK$20,000,000 to the Company for a term of two years, none of which has been utilised as at the end of the reporting period and the date of this announcement; and

(iv) the Company has obtained a letter of support from Mr. Zhao confirming his willingness to further provide for adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 24 months from 31 December 2020.

The consolidated financial statements do not include any adjustment that would result from a failure to obtain such funding and undertaking which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustment would have been made to restate the value of assets to the recoverable amounts and to provide for further liabilities which might arise.

The Auditor consider that the fundamental uncertainty has been properly disclosed in the consolidated financial statements. The Auditor's report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group has recorded revenue of approximately HK$39,771,000 for the year ended 31 December 2020 (2019: approximately HK$61,202,000), representing a significant decrease of 35.0% or approximately HK$21,431,000 as compared with the year ended 31 December 2019. Revenue contributed from manufacturing and retail business segments (excluding inter-segment revenue) was approximately HK$36,743,000 and approximately HK$3,028,000 for the year ended 31 December 2020, respectively. Gross profit was approximately HK$11,934,000 (2019: approximately HK$28,787,000) for the year ended 31 December 2020. There was a significant decrease in gross profit margin from approximately 47.0% for the year ended 31 December 2019 to approximately 30.0% for the year ended 31 December 2020. The decrease is mainly due to the significant impact of the outbreak of coronavirus disease ("**COVID-19**") on the global business environment and the Group's retail business.

Other income and gains increased by 435.1% from approximately HK$518,000 for the year ended 31 December 2019 to approximately HK$2,772,000 for the year ended 31 December 2020. The increase was mainly attributable to the government subsidies and rent concessions from landlords totalling approximately HK$2,109,000 in response to the outbreak of the COVID-19 pandemic.

Selling and distribution costs reduced significantly by approximately HK$7,813,000 to approximately HK$4,358,000 (2019: approximately HK$12,171,000) for the year ended 31 December 2020. The decrease was mainly attributable to a decrease in rental expenses of the retail business segment following the close down of certain under-performed retail stores and a decrease in marketing activities being engaged as a result of the significant impact of the COVID-19 pandemic on the Group's retail business during the year ended 31 December 2020.

Administrative and other operating expenses decreased by approximately HK$6,644,000 to approximately HK$25,155,000 (2019: approximately HK$31,799,000) for the year ended 31 December 2020. The decrease was mainly due to the decrease in employee costs as a result of the strengthened human resources management of the Group and the decrease in professional 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$21,758,000 (2019: approximately HK$18,327,000) for the year ended 31 December 2020. Loss per share for the year ended 31 December 2020 was HK5.7 cents (2019: HK4.8 cents).

BUSINESS REVIEW

For the year ended 31 December 2020, the Leather Manufacturing Business and Leather Retail Business accounted for approximately 92.4% (2019: approximately 82.0%) and approximately 7.6% (2019: approximately 18.0%) of the Group's total revenue, respectively.

Leather Manufacturing Business

For the year ended 31 December 2020, revenue of the Leather Manufacturing Business from external customers was approximately HK$36,743,000, in comparison with approximately HK$50,190,000 for the year ended 31 December 2019. The decrease was mainly due to the outbreak of the COVID-19 pandemic which led to the decrease in demand from Hong Kong, the PRC and overseas markets, the temporary closure of the Group's factories in the PRC and the logistics restrictions imposed worldwide.

Revenue analysis by geographic location:

	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
Hong Kong	**3,276**	**8.9**	2,499	5.0
Europe	**8,229**	**22.4**	10,134	20.2
The PRC	**14**	**0.0**	1,566	3.1
United States of America	**22,707**	**61.8**	28,095	56.0
Other countries	**2,517**	**6.9**	7,896	15.7
	36,743	**100**	50,190	100

Revenue analysis by product category:

	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
Belts	**35,937**	97.8	47,087	93.8
Leather goods and other accessories	**806**	2.2	3,103	6.2
	36,743	100	50,190	100

Leather Retail Business

For the Leather Retail Business, due to the adverse retail environment of Hong Kong largely due to the outbreak of the COVID-19 pandemic, and keen competition from rivals and online sales, the Group recorded revenue of approximately HK$3,028,000 (2019: approximately HK$11,012,000) for the year ended 31 December 2020, representing an approximately 72.5% decrease in comparison with the year ended 31 December 2019. Sales of the Group's in-house brand "Urban Stranger" comprised approximately 85.3% (2019: approximately 80.5%) of the retail sales of the Group for the year ended 31 December 2020, which was approximately 4.8% lower than that of the year ended 31 December 2019. Gross profit margin for the year ended 31 December 2020 reduced to approximately 46.1%, moderately reduced as compared to the year ended 31 December 2019's margin of approximately 64.0%.

The overall shop rental to revenue ratio significant increased from approximately 47.3% for the year ended 31 December 2019 to approximately 98.1% for the year ended 31 December 2020. The staff cost to revenue ratio also increased from approximately 43.1% for the year ended 31 December 2019 to approximately 80.4% for the year ended 31 December 2020. The increase was mainly due to travel restrictions and a series of social-distancing measures imposed, which led to a decline in revenue.

The Leather Retail Business resulted in a loss of approximately HK$7,286,000 for the year ended 31 December 2020 as compared to approximately HK$9,275,000 for the year ended 31 December 2019. The Group maintained four (2019: four) AREA 0264 stores and one (2019: one) Teepee Leather workshop in Hong Kong as at 31 December 2020.

PROSPECTS

Since January 2020, the outbreak of the COVID-19 pandemic has quickly spreaded around the world. Accordingly, various governments have taken pandemic prevention and control measures which have led to different degrees of restrictions on business activities. COVID-19 created severe challenges to all economies around the world, causing changes in many aspects such as global supply chains, trade practices and industrial layouts, and hence the global economy was adversely affected. The outbreak of the COVID-19 pandemic brought uncertainty to the Group's business, in particular the export of the Group's leather products to the United States and Europe and the retail business of the Group.

In terms of the industry, under the prevailing uncertain international trade environment, orders have been affected due to the ongoing Sino-US trade friction. In addition, due to the weakened market demands for leather products as a result of the outbreak of the COVID-19 pandemic and delay in the resumption of work and production by the downstream enterprises, the leather manufacturing enterprises were confronted with an overall challenging operation environment.

Despite the uncertain outlook, the Group will continue to pay close attention to the situation and react proactively to its impact on the financial position and operating results of the Group. The Group will focus on improving the production efficiency within the factory in order to achieve its optimal production level and reexamine the use of its resources prudently and make every effort to maximize its profit. The Group will continue to, while mitigating economic and external business risks, study the feasibility of related business opportunities of the Group with the expectation of capitalising on China's economic growth in the future.

The business environment of the retail sector in Hong Kong is not optimistic. Travel restrictions and border control were in force, while a series of social-distancing measures were imposed, which greatly impaired the consumer sentiment and stifled customer traffic. The latest statistics from the Census and Statistics Department indicated that the retails sales in Hong Kong further plunged by 13.6% year over year in January 2021, also representing the twelfth consecutive month of decline. The threat of the outbreak of the COVID-19 pandemic has turned the business environment of the retail sector in Hong Kong even more austere.

Despite the challenging retail environment, two new retail stores have commenced operations in the third quarter of 2020 to maintain the exposure of the brand and enhance the shopping experience of customers. 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. Meanwhile, the Group will further cooperate with shopping malls to carry out promotion activities and marketing activities of its leather products as well as improving the service quality of its stores by strengthening the human resource management of the retail business segment. On the other hand, the Group will continue to develop its e-commerce channel in order to tap into the fast-growing online market.

Furthermore, as announced on 16 June 2020, the Group has undertaken plans to diversify into the businesses of industrial hemp planting and hemp fabric product production. Hemp fabric is made of fibers from industrial hemp, and is a type of textile which is antibacterial, strong and versatile, and fill in as a characteristic environment adjusting framework that makes it desirable for both summer and winter. The Group has obtained the relevant permit to plant industrial hemp and secured the provision of the industrial hemp seeds of Yunma No. 7* (雲麻7號) from the Institute of Economic Crops of the Yunnan Academy of Agricultural Science* (雲南省農業科學院經濟作物研究所), and rented a parcel of land in Yunnan for the trial cultivation of industrial hemp during the year ended 31 December 2020.

The Group will concurrently review its business strategic directions and operations with a vision 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 and to maximize its shareholders' value.

* *For identification purpose only*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group's cash and bank deposits were approximately HK$2,280,000 as compared to approximately HK$15,041,000 as at 31 December 2019.

The Group recorded total current assets of approximately HK$28,329,000 (31 December 2019: approximately HK$42,896,000) as at 31 December 2020 and total current liabilities of approximately HK$37,854,000 (31 December 2019: approximately HK$37,610,000) as at 31 December 2020. The decrease in total current assets was mainly due to the decrease in inventories, trade receivables and cash and bank deposits. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.75 times (31 December 2019: approximately 1.14 times) as at 31 December 2020.

The Group recorded deficiency in assets of approximately HK$10,887,000 as at 31 December 2020 (31 December 2019: equity approximately HK$9,505,000), which was mainly attributable to the operation loss of the year.

As detailed in note 2.1 to the consolidated financial statements, the Company has undertaken the following measures to improve its liquidity:

(i) the Company has obtained a letter of undertaking from Mr. Qin Bohan ("**Mr. Qin**"), an executive director of the Company, that he would not demand for repayment of the amount due to him of HK$8,000,000 as at 31 December 2020 until the Company is in a position to do so;

(ii) subsequent to the end of the reporting period, on 26 March 2021, the Company and Mr. Qin entered into another loan agreement, pursuant to which, Mr. Qin granted an unsecured interest-free loan facility up to RMB30,000,000 (equivalent to approximately HK$35,750,000) for a term of two years, which has been fully drawn down by the Company on 26 March 2021;

(iii) the Company and Mr. Zhao Jingfei ("**Mr. Zhao**"), an executive director, Chairman and the ultimate controlling shareholder of the Company, entered into a loan facility agreement on 27 May 2020, pursuant to which, Mr. Zhao granted an unsecured interest-free loan facility up to HK$20,000,000 to the Company for a term of two years, none of which has been utilised as at the end of the reporting period and the date of this announcement; and

(iv) the Company has obtained a letter of support from Mr. Zhao confirming his willingness to further provide for adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 24 months from 31 December 2020.

Inventories and trade receivables

The Group recorded total inventories of approximately HK$11,265,000 as at 31 December 2020 (31 December 2019: approximately HK$13,301,000) and the inventory turnover days remained at similar level of 148 days as at 31 December 2020 and 150 days as at 31 December 2019 respectively in view of the unsatisfactory sales demand amidst the COVID-19 pandemic.

The Group had trade receivables of approximately HK$9,833,000 as at 31 December 2020 (31 December 2019: approximately HK$11,643,000) and the debtor turnover days increased from 69 days to 90 days due to the COVID-19 pandemic has turned the business environment more stringent.

GEARING RATIO

The Group did not have any bank borrowings as at 31 December 2019 and 2020.

As at 31 December 2020, 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 2020 and 2019 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 2020 and 31 December 2019, respectively.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

TREASURY POLICY

The Group generally finances its operation with internally generated resources. Cash and bank deposits of the Group are mainly denominated in HK$, United States dollars ("**USD**") and RMB. Transactions of the Group are mainly denominated in HK$, USD and RMB. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. In this regard, the Group is not exposed to significant currency risk arising from USD. The fluctuations in the RMB's value against other currencies will create foreign currency translation gains or losses and may have a significant impact on the Group's business, financial condition and results. The Group currently does not have any foreign currency hedging policy. However, the management of the Company will continue to monitor foreign exchange exposure and will consider taking approximate measures to mitigate significant foreign currency exposure should the need arise.

CHARGES ON ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, time deposits at a bank of approximately HK$430,000 (2019: HK$429,000) are pledged to a bank to secure a bank guarantee given in favour of a landlord in lieu of rental deposits.

The Group had no significant contracted capital commitments and contingent liabilities as at 31 December 2020 and 31 December 2019.

EVENT AFTER THE REPORTING PERIOD

Details of the event occurring after the reporting period are set out in note 15 to the consolidated financial statements for the year ended 31 December 2020.

LITIGATION

The Group had no material litigation, arbitration or claim of material importance in which the Company is engaged or pending or which was threatened against the Company as at 31 December 2020 and 31 December 2019.

HUMAN RESOURCES

As at 31 December 2020, the Group employed 97 employees (2019: 165). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including defined contribution plans, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-the-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

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 2020 except for the deviation from Code Provision C.2.5 in respect of having an internal audit function.

Under Code Provision C2.5 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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2020.

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 2020.

AUDIT COMMITTEE

The Company established an the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. 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 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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 2020 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the shareholders of the Company will be held after despatch of the annual report. The notice of annual general meeting will be published and despatched to the shareholders of the Company in due course.

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 2020 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.

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

Hong Kong, 30 March 2021

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.