CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

(incorporated in Hong Kong as a Company limited by guarantee
and not having share capital)

Directors' Report and Financial Statements
For the year ended 31 December 2018

BDO

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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Expressed in Hong Kong dollars ("HK$")

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

Crossroads Foundation Limited (the "Company") is a registered non-profit organisation based in Hong Kong. Its principal activities are:

(a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;

(b) Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need;

(c) Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale; and

(d) Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The Company conducts its operations under the following registrations:

• SHIC (Hong Kong) Asian Health Services Exchange	(Ceased on 1 December 2018)
• Global Hand	
• P3 International	(Ceased on 1 December 2018)
• Crossroads Global Distribution	
• Crossroads Global Handicrafts	
• Crossroads Global Village	
• Silk Road Café	(Registered on 5 December 2018)
• Global X-Perience	(Registered on 5 December 2018)
• GoodCity.HK	(Registered on 5 December 2018)

The principal activity of Crossroads Global Village UK Limited, the subsidiary of the Company, is to support United Kingdom ("UK") business and charities seeking a partnership 'match' for their humanitarian and Corporate Social Responsibility programmes ("CSR programmes") by facilitating use of Global Hand website and offering themed, immersive environment for experience global need first hand.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the financial statements on pages 7 to 46.

RESERVES

Details of movements in the reserves, comprising translation reserve and accumulated surplus, of the Group during the year are set out in the consolidated statement of changes in equity on page 9.

SUBISIDIARY

Details of the Company's subsidiary at 31 December 2018 are set out in Note 11 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

David Lewis de Groen
Jane Rosemarie Henderson
Judy Joanne Butler
Malcolm Bruce Begbie
Sally Linda Begbie

In accordance with the Company's articles of association, all directors shall hold office for three years and be eligible for re-election.

MATERIAL INTERESTS IN TRANSACTIONS ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or its subsidiary was a party and in which a director of the Company or an entity connected with a director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

BUSINESS REVIEW

The Company is exempted from preparing a business review for the financial year.

AUDITOR

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

On behalf of the directors

Malcolm Bruce Begbie
Director

Hong Kong, 07 NOV 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司
(incorporated in Hong Kong as a Company limited by guarantee and not having share capital)

Opinion

We have audited the consolidated financial statements of Crossroads Foundation Limited 國際十字路協會有限公司(the "Company") and its subsidiary (together the "Group") set out on pages 7 to 46, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and detailed income statement, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Limited

BDO Limited
Certified Public Accountants
CHIU Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 07 NOV 2019

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$	2017 HK$
Revenue	5	14,076,898	16,221,421
Global Handicrafts inventory expenses		(407,435)	(481,470)
Depreciation		(437,631)	(422,028)
Other operating expenses		(15,687,803)	(16,373,830)
Loss for the year	6	(2,455,971)	(1,055,907)
Other comprehensive (loss)/income for the year			
- Exchange difference arising from translation of foreign operations		(10,227)	13,729
Total comprehensive loss for the year		(2,466,198)	(1,042,178)

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 HK$	2017 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	1,083,327	1,372,345
Current assets			
Inventories	12	361,363	435,653
Deposits, prepayments and other receivables	13	3,225,847	2,124,820
Cash and cash equivalents	14	2,123,823	4,824,277
		5,711,033	7,384,750
Current liabilities			
Other payables and accruals	15	2,784,573	2,226,602
Amount due to a director	16	350,145	404,653
		3,134,718	2,631,255
Net current assets		2,576,315	4,753,495
Net assets		3,659,642	6,125,840
EQUITY			
Translation reserve		(42,480)	(32,253)
Accumulated surplus		3,702,122	6,158,093
Total equity		3,659,642	6,125,840

On behalf of the directors

Malcolm Bruce Begbie
Director

Sally Linda Begbie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Translation reserve HK$	Accumulated surplus HK$	Total HK$
Balance at 1 January 2017	(45,982)	7,214,000	7,168,018
Loss for the year	-	(1,055,907)	(1,055,907)
Other comprehensive income for the year			
- Exchange difference arising from translations of foreign operations	13,729	-	13,729
Total comprehensive loss for the year	13,729	(1,055,907)	(1,042,178)
Balance at 31 December 2017 and 1 January 2018	(32,253)	6,158,093	6,125,840
Loss for the year	-	(2,455,971)	(2,455,971)
Other comprehensive loss for the year			
- Exchange difference arising from translations of foreign operations	(10,227)	-	(10,227)
Total comprehensive loss for the year	(10,227)	(2,455,971)	(2,466,198)
Balance at 31 December 2018	(42,480)	3,702,122	3,659,642

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$	2017 HK$
Cash flows from operating activities		
Loss for the year	(2,455,971)	(1,055,907)
Adjustments for :		
Depreciation of property, plant and equipment	437,631	422,028
Gain on disposal of property, plant and equipment	-	(103,000)
Interest income	(168)	(26)
Operating loss before working capital changes	(2,018,508)	(736,905)
Decrease/(increase) in inventories	74,290	(38,169)
Increase in deposits, prepayments and other receivables	(1,101,027)	(178,906)
Increase in other payables and accruals	557,971	71,548
Decrease in amount due to a director	(54,508)	(8,721)
Net cash used in operating activities	(2,541,782)	(891,153)
Cash flows from investing activities		
Interest received	168	26
Proceeds from the disposal of property, plant and equipment	-	103,000
Purchase of property, plant and equipment	(148,613)	(815,166)
Net cash used in investing activities	(148,445)	(712,140)
Net decrease in cash and cash equivalents	(2,690,227)	(1,603,293)
Effect on foreign exchange rate changes	(10,227)	13,729
Cash and cash equivalents at beginning of year	4,824,277	6,413,841
Cash and cash equivalents at end of year	2,123,823	4,824,277
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	1,883,823	4,584,277
Time deposits	240,000	240,000
	2,123,823	4,824,277

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Crossroads Foundation Limited 國際十字路協會有限公司 (the "Company") is a registered non-profit organisation based in Hong Kong. The Company is a company limited by guarantee incorporated in Hong Kong. Its registered office and principal place of business is 2 Castle Peak Road, Tuen Mun, Hong Kong.

The Company conducts its operations under the following registrations:

- SHIC (Hong Kong) Asian Health Services Exchange (Ceased on 1 December 2018)
- Global Hand
- P3 International (Ceased on 1 December 2018)
- Crossroads Global Distribution
- Crossroads Global Handicrafts
- Crossroads Global Village
- Silk Road Café (Registered on 5 December 2018)
- Global X-Perience (Registered on 5 December 2018)
- GoodCity.HK (Registered on 5 December 2018)

Its principal activities are:

(a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;

(b) Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need;

(c) Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale; and

(d) Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The principal activity of the Company's subsidiary is to support United Kingdom business and charities seeking a partnership 'match' for their humanitarian and CSR programmes by facilitating use of Global Hand website and offering themed, immersive environment for experience global need first hand.

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

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018

In the current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9 - Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

HKFRS 9 - Financial Instruments ("HKFRS 9") - Continued

(i) Classification and measurement of financial instruments - Continued

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

HKFRS 9 - Financial Instruments ("HKFRS 9") - Continued

(i) Classification and measurement of financial instruments - Continued

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$	Carrying amount as at 1 January 2018 under HKFRS 9 HK$
Deposits and other receivables	Loans and receivables	Amortised cost	1,020,028	1,020,028
Cash and cash equivalents	Loans and receivables	Amortised cost	4,824,277	4,824,277

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised cost, contract assets and debt investment at FVTOCI earlier than HKAS 39. Cash and bank balances are subject to ECLs model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

HKFRS 9 - Financial Instruments ("HKFRS 9") - Continued

(ii) Impairment of financial assets - Continued

For debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model
Financial assets at amortised cost of the Group include deposits and other receivables. Applying the ECLs model, no additional impairment for deposits and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

HKFRS 9 - Financial Instruments ("HKFRS 9") - Continued

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

<u>HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")</u>
HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The Group considers that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised on donations and revenue from global handicrafts in the respective reporting periods upon its initial adoption.

Donations are recognised as income in the period in which they are received or receivable.

Revenue from global handicrafts is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2018 - Continued

Amendments HKFRS 15 - Revenue from Contracts with Customers (Clarifications to HKFRS 15)
The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

HK(IFRIC)-Int 22 - Foreign Currency Transactions and Advance Consideration
The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

2.2 New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, relevant to the Group's operations, 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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 12, Income Taxes[1]

[1] Effective for annual periods beginning on or after 1 January 2019

<u>HKFRS 16 – Leases</u>
HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

2.2 New/revised HKFRSs that have been issued but not yet effective - Continued

HKFRS 16 - Leases - Continued

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 23 - Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met - instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015-2017 Cycle - Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

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

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in Note 4.

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

3.3 Subsidiary

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

In the Company's statement of financial position, investment in subsidiary is stated at cost less impairment loss, if any. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.4 Property, plant and equipment

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

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	The shorter of the useful life or remaining lease term
Office equipment	5 years
Computer equipment	5 years
Motor vehicle	5 years
Warehouse equipment	5 years
Photographic equipment	5 years

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee
Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Impairment of other assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model or managing the asset and the cash flow characteristics of the asset. There are only one measurement category into which the Group classifies its debt instruments:

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments (accounting policies applied from 1 January 2018) - Continued

(ii) Impairment loss on financial assets

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments (accounting policies applied from 1 January 2018) - Continued

(ii) Impairment loss on financial assets - Continued

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

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

<u>Financial liabilities at amortised cost</u>
Financial liabilities at amortised cost including other payables and accruals and amount due to director are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments (accounting policies applied from 1 January 2018) - Continued

(v) Derecognition

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

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

3.8 Financial instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group's financial assets are classified as loans and receivables. The Group classified its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets (other than financial assets at fair value through profit or loss) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.8 Financial instruments (accounting policies applied until 31 December 2017) - Continued

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.8 Financial instruments (accounting policies applied until 31 December 2017) - Continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

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

(iv) Effective interest method

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

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.9 Inventories

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

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, including demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months or less when acquired.

3.11 Revenue recognition (accounting policies applied from 1 January 2018)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.11 Revenue recognition (accounting policies applied from 1 January 2018) - Continued

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Donations are recognised as income in the period in which they are received or receivable.

Revenue from global handicrafts is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.12 Revenue recognition (accounting policies applied until 31 December 2017)

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Donations are recognised as income in the period in which they are received or receivable.

Revenue from global handicrafts is recognised on transfer of risks and rewards of ownership, which is at the time when the goods are delivered and the title is passed to customers.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

3.13 Foreign currencies

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.13 Foreign currencies - Continued

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated into HK$ at the rate of exchange prevailing at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve.

3.14 Provision and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.15 Related parties

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

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(a) that person's children and spouse or domestic partner;
(b) children of that person's spouse or domestic partner; and
(c) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for inventories

The Group's management reviews an ageing analysis of inventories at the end of reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer considered to be saleable or suitable for use in production. Management estimates the net realisable value for finished goods based on primarily on the latest invoice prices, condition and nature of the goods and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes allowances for obsolete or unsalable items.

Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives of 5 years, starting from the date when the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

	2018 HK$	2017 HK$
Revenue		
Donations received	13,442,250	15,411,392
Other revenue		
Interest income	168	26
Others	80,476	74,701
Gain from disposal of property, plant and equipment	-	103,000
Sales of goods - Global handicrafts	554,004	632,302
	634,648	810,029
Total revenue	14,076,898	16,222,421

6. LOSS FOR THE YEAR

Loss for the year is arrived at after charging/(crediting):

	2018 HK$	2017 HK$
Auditor's remuneration	-	-
Depreciation of property, plant and equipment	437,631	422,028
Gain on disposal of property, plant and equipment	-	(103,000)
Operating lease rentals for office, warehouse and volunteer facilities	1,320,000	1,320,000
Employee benefit expenses	622,295	-

7. EMPLOYEE BENEFIT EXPENSES

	2018 HK$	2017 HK$
Salaries, allowances and benefits in kind	603,018	-
Retirement benefit contributions	19,277	-
	622,295	-

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2018 HK$	2017 HK$
Fees	-	-
Other remuneration	-	-

9. TAXATION

No Hong Kong profits tax has been provided in the consolidated financial statements as the Group is a charitable organisation within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance ("IRO") and accordingly, it is exempted from payments of all taxes that are levied under the IRO.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Office equipment HK$	Computer equipment HK$	Motor vehicles HK$	Warehouse equipment HK$	Photographic equipment HK$	Total HK$
At 1 January 2017							
Cost	6,164,792	119,406	1,022,258	567,900	1,592,833	105,225	9,572,414
Accumulated depreciation	(5,608,262)	(117,403)	(1,010,529)	(417,968)	(1,340,583)	(98,462)	(8,593,207)
Net carrying amount	556,530	2,003	11,729	149,932	252,250	6,763	979,207
Year ended 31 December 2017							
Opening net carrying amount	556,530	2,003	11,729	149,932	252,250	6,763	979,207
Additions	106,800	-	-	592,705	110,632	5,029	815,166
Disposal:							
- Cost	-	-	-	59,900	-	-	59,900
- Accumulated depreciation	-	-	-	(59,900)	-	-	(59,900)
Depreciation	(148,638)	(695)	(7,176)	(168,507)	(92,368)	(4,644)	(422,028)
Closing net carrying amount	514,692	1,308	4,553	574,130	270,514	7,148	1,372,345
At 31 December 2017 and 1 January 2018							
Cost	6,271,592	119,406	1,022,258	1,100,705	1,703,465	110,254	10,327,680
Accumulated depreciation	(5,756,900)	(118,098)	(1,017,705)	(526,575)	(1,432,951)	(103,106)	(8,955,335)
Net carrying amount	514,692	1,308	4,553	574,130	270,514	7,148	1,372,345
Year ended 31 December 2018							
Opening net carrying amount	514,692	1,308	4,553	574,130	270,514	7,148	1,372,345
Additions	-	-	16,137	-	132,476	-	148,613
Disposal:							
- Cost	191,280	-	-	-	245,525	-	436,805
- Accumulated depreciation	(191,280)	-	-	-	(245,525)	-	(436,805)
Depreciation	(149,349)	(695)	(4,420)	(176,268)	(102,777)	(4,122)	(437,631)
Closing net carrying amount	365,343	613	16,270	397,862	300,213	3,026	1,083,327
At 31 December 2018							
Cost	6,080,312	119,406	1,038,395	1,100,705	1,590,416	110,254	10,039,488
Accumulated depreciation	(5,714,969)	(118,793)	(1,022,125)	(702,843)	(1,290,203)	(107,228)	(8,956,161)
Net carrying amount	365,343	613	16,270	397,862	300,213	3,026	1,083,327

11. SUBSIDIARY

Particulars of the subsidiary as at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Legal form	Percentage of issued capital held directly 2018	2017	Principal activities
Crossroads Global Village UK Limited	England and Wales	Limited by guarantee	100%	100%	Support UK business and charities seeking a partnership 'match' for their humanitarian and CSR programmes by facilitating use of Global Hand website

12. INVENTORIES

	2018 HK$	2017 HK$
Finished goods	361,363	435,653

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$	2017 HK$
Deposits	956,825	580,090
Prepayments	864,475	1,104,792
Other receivables	1,404,547	439,938
	3,225,847	2,124,820

14. CASH AND CASH EQUIVALENTS

	2018 HK$	2017 HK$
Cash at banks and in hand	1,883,823	4,584,277
Time deposits	240,000	240,000
	2,123,823	4,824,277

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with original maturity of three months or less. Short-term bank deposits carrying prevailing market interest rate of 0.15% (2017: 0.001%) per annum. Other bank balances earn interests at floating rates based on daily bank deposits rates.

15. OTHER PAYABLES AND ACCRUALS

	2018 HK$	2017 HK$
Other payables	2,606,583	2,166,512
Accruals	177,990	60,090
	2,784,573	2,226,602

16. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

17. SHARE CAPITAL

The Company has no share capital and is a company limited by guarantee. At the reporting date, the Company had five members (2017: five members). Each member of the Company has an obligation to contribute to the assets of the Company in the event of it being wound up, as may be required, for an amount not exceeding one hundred dollars.

18. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$	2017 HK$
Within one year	338,258	330,000
In the second to fifth year inclusive	-	-
	338,258	330,000

The Group leases the site, Perowne Barracks, Castle Peak Road, Hong Kong under operating lease of which the term is six months certain from 16 March 2016 and thereafter quarterly until termination at HK$110,000 per month for residential use and revised to be HK$126,000 per month since 16 March 2019. The Group also leases the land in Tsing Chau Wan, Hong Kong at HK$1 per annum. The leases do not include contingent rentals.

19. BANKING FACILITY

As at 31 December 2018, a banking facility of HK$240,000 (2017: HK$240,000) on a corporate credit card was granted to the Group.

20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as defined in Notes 3.7 and 3.8:

	2018 HK$	2017 HK$
Financial assets at amortised cost		
- Deposits and other receivables	2,361,372	1,020,028
- Cash and cash equivalents	2,123,823	4,584,277
	4,485,195	5,604,305
Financial liabilities at amortised cost		
- Other payables and accruals	2,784,573	2,226,602
- Amount due to a director	350,145	404,653
	3,134,718	2,631,255

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statement of financial position approximate their fair values.

21. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its financial risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instruments comprise deposits and other receivables, cash and cash equivalents, other payables and accruals and amount due to a director. The most significant financial risks to which the Group is exposed are described below.

21. FINANCIAL RISK MANAGEMENT - Continued

(a) Foreign currency risk - Continued

The Group is exposed to foreign currency risk primarily through daily transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving risk to this risk is British Pound ("GBP").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2018 Denominated in GBP HK$
As at 31 December	
Monetary assets:	
- Deposits and other receivables	376
- Cash and cash equivalents	87,073
	87,449
Monetary liabilities:	
- Other payables and accruals	(5,694)
Net monetary assets	81,755
Foreign currency strengthen/(weaken) by:	5%/ (5%)
Increase/(Decrease) in surplus for the year	4,088/(4,088)

	2017 Denominated in GBP HK$
As at 31 December	
Monetary assets:	
- Cash and cash equivalents	377,449
Monetary liabilities:	
- Other payables and accruals	(62,729)
Net monetary assets	314,720
Foreign currency strengthen/(weaken) by:	5%/ (5%)
Increase/(Decrease) in surplus for the year	15,736/(15,736)

21. FINANCIAL RISK MANAGEMENT - Continued

(a) Foreign currency risk - Continued

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

(b) Credit risk

As at 31 December 2018, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its deposits and other receivables and money deposited in financial institutions.

Rental and utility deposits are refundable upon the expiration of the tenancy agreement. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

21. FINANCIAL RISK MANAGEMENT - Continued

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate funds to meet commitments associated with its financial liabilities and by continuously monitoring forecast and actual cash flows. The Group will raise funds from the realisation of its assets if required.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on undiscounted cash flows and the earliest date on which the Group can be required to pay.

	On demand HK$	Less than 3 months HK$	Total undiscounted cash flows HK$	Carrying amount HK$
As at 31 December 2018				
Non-derivative financial liabilities				
Other payables and accruals	-	2,784,573	2,784,573	2,784,573
Amount due to a director	350,145	-	350,145	350,145
	350,145	2,784,573	3,134,718	3,134,718

	On demand HK$	Less than 3 months HK$	Total undiscounted cash flows HK$	Carrying amount HK$
As at 31 December 2017				
Non-derivative financial liabilities				
Other payables and accruals	-	2,226,602	2,226,602	2,226,602
Amount due to a director	404,653	-	404,653	404,653
	404,653	2,226,602	2,631,255	2,631,255

22. CAPITAL RISK MANAGEMENT

The Group has no capital as explained in Note 17 and accordingly it is not applicable to discuss capital risk management.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Group has no financing activities as showed on the statement of cash flow and accordingly it is not applicable to discuss reconciliation of liabilities arising from financing activities.

24. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2018 HK$	2017 HK$
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	1,083,327	1,372,345
Current assets		
Inventories	361,363	435,653
Deposits, prepayments and other receivables	3,212,306	2,105,159
Cash and cash equivalents	1,914,579	4,560,185
	5,488,248	7,100,997
Current liabilities		
Other payables and accruals	2,741,101	2,163,873
Amount due to a director	350,145	404,653
	3,091,246	2,568,526
Net current assets	2,397,002	4,532,471
Net assets	3,480,329	5,904,816
EQUITY		
Accumulated surplus	3,480,329	5,904,816
Total equity	3,480,329	5,904,816

On behalf of the directors

Malcolm Bruce Begbie
Director

Sally Linda Begbie
Director

25. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 9 of the consolidated financial statements

Company

	Retained Surplus HK$
At 1 January 2017	7,111,441
Total comprehensive loss for the year	(1,206,625)
At 31 December 2017 and 1 January 2018	5,904,816
Total comprehensive loss for the year	(2,424,487)
At 31 December 2018	3,480,329

(i) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than HK$. The reserve is dealt with in accordance with the accounting policies as set out in note 3.13.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors on 0 7 NOV 2019 .