China Asia Valley Group Limited
中亞烯谷集團有限公司
(Incorporated in Bermuda with limited liability)(於百慕達註冊成立之有限公司)
(Stock Code 股份代號：63)

OMO 商業模式

中亞烯谷

63

2020
Annual Report
年報

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AHEAD

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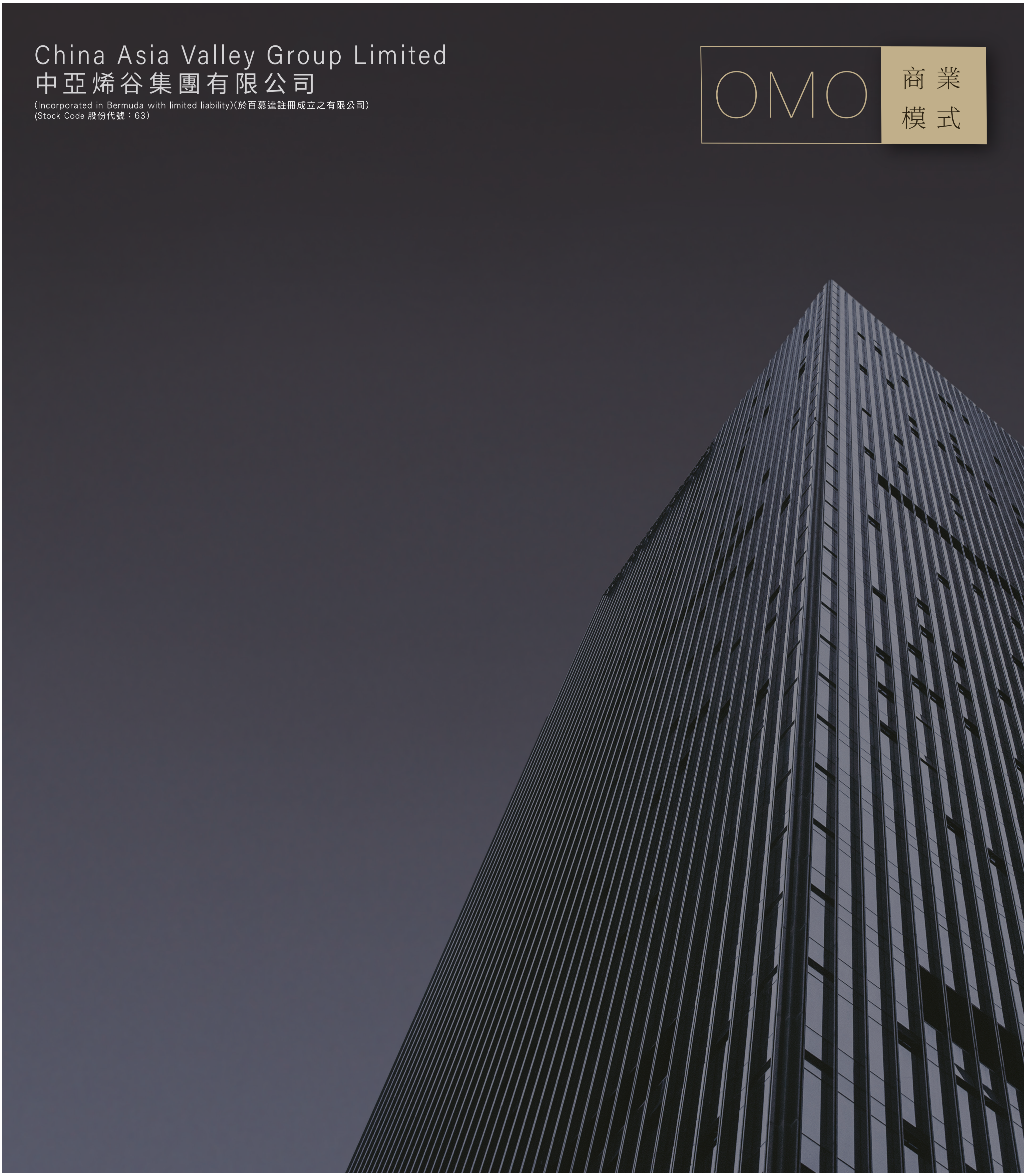
在烯谷，我們對新興科技充滿敬畏，
秉持公正、客觀的原則專注於科技推動美好生活的研究。
在烯谷，我們重視人才培養，不斷學習，
堅信只有更加專業的團隊才能更好的為您服務；
在烯谷，我們秉承彙聚智慧，成就價值理念為您賦能；
在烯谷，我們致敬匠心——始終堅信“工匠精神、持之以恒”，
致力於成為您專屬的商業決策智囊。



立責於心，履責於行

中亞烯谷集團只為實現一個宏願：
以產報國、以民之益、以人為本為己任，
致力於實現讓創業開始無限可能的美好願景而不懈努力。

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Binghuang *(Chairman)*
Ms. Xia Ping
Mr. Zhao Juqun *(Vice chairman)*
(resigned on 1 April 2021)

Non-executive Director

Ms. Wang Lijiao

Independent non-executive Directors

Mr. Lum Pak Sum
Mr. Duan Rihuang

COMPANY SECRETARY

Ms. Wong Hoi Yan, Audrey CPA (USA), HKICPA

AUDITOR

ZHONGHUI ANDA CPA Limited

COMPANY LAWYER

Jeffrey Mak Law Firm

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Rooms 1237-1240, 12th Floor,
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

Stock Code: 63, Hong Kong

WEBSITE

www.00063.cn

Chairman's Statement

In 2020, the Group's outstanding operational and management abilities and goal of becoming a comprehensive properties – internet – finance service provider led to continue integration of businesses in various regions including Hong Kong and Shenzhen and brought steady growth in its operating results. Despite the implementation of a series of new regulatory policies, the Group remained true to its original intentions in respect of business operation and management, the Group maintained a stable and steady operation while closely monitoring its business compliance and risk control.

In 2020, the Group pursued business development in China through its wholly-owned subsidiaries. As the Group continued to expand business, its operations was in an increasingly good shape and significant progress was made in enhancing revenue and controlling operational costs. This also signified that the Group's business in Hong Kong and Shenzhen is gradually on track which has strategical significance in the establishment of new footholds in its platform network that provides cross-border services based on properties – internet – finance. Satisfactory result has been achieved in the above business expansion which provides further indication for the direction of the Group's development. The Group will continue to identify target projects in key cities of China and explore the maximum internal value of such projects with the extensive management experience of the Group, while making further business cooperation with network technology and property management companies. The Group will launch intelligent housekeeping technology products, provide community value-added service products and online business platform, and expand its business scale by expanding customer base through online channels and real-time online transaction process. The Group will continue to use technology to enhance operational efficiency and scalability to enable its transformation.

The goal of development in 2021 is to win market with flexible strategy, expand scale, increase strength and strengthen management to secure profitability. This means the Group will make further stride in the development of its business and further enhance the competitive edge and synergies of regional businesses in line with its development strategy of stable and steady operation, and enhance and consolidate its long-term strategic business competitiveness.

On behalf of the members of the Board, I would like to express our heartfelt gratitude to all directors and staff for their dedicated efforts in the year 2020. At the same time, we would like to thank our shareholders and customers for their long-standing trust and support, which has been a great motivation for us.

On behalf of the Board
Huang Binghuang
Chairman

Hong Kong, 26 March 2021

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Financial review

The Group continued to engage in property related businesses, provision of horticultural services, money lending business, securities trading business, manufacturing and trading of graphene and graphene-related products. The Group's revenue for the year was mainly derived from rental income of investment properties, provision of horticultural services and property management services.

The Group recorded a net loss attributable to owners of the Company of approximately HK$22,961,000 for the year ended 31 December 2020, as compared to the net loss of approximately HK$10,000 for the year ended 31 December 2019. The Board considers that the increase in net loss is primarily attributable to the followings:

(i) operating and administrative expenses decreased by 28% due to the effective cost cutting and control strategy implemented by new management in this period;

(ii) fair value gain on investment properties of HK$2,000,000 was recorded for the year ended 31 December 2020, as compared to the fair value gain amount of HK$20,800,000 recorded for the same period in 2019;

(iii) provision for loss in investment in associates of approximately HK$12,211,000 was made for the Taiwan investment for this period as it is expected that such investment will not be recoverable; and

(iv) finance cost was approximately HK$4,814,000 in this period (2019: HK$8,104,000), representing a reduction of 41% due to the repayment of bank loan of HK$40,000,000 in this period.

The table below sets out the comparative financial information for the years ended 31 December 2020 and 2019 respectively, the net effect of which was primarily the reason for the increase in net loss:

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
(i) Operating and administrative expenses	**(25,276)**	(34,951)
(ii) Fair value gain on investment properties	**2,000**	20,800
(iii) Provision for loss in investment in associates	**(12,211)**	–
(iv) Finance cost	**(4,814)**	(8,104)

Revenue of the Group was approximately HK$17,216,000 for the year ended 31 December 2020, representing an increase of 28% as compared to the revenue of approximately HK$13,458,000 for the year ended 31 December 2019, mainly attributable to the new income arising from the growth in the property management business of the Group in the second half of 2020.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Financial review (Continued)

Revenue from rental income increased by 3% year-over-year to approximately HK$7,059,000 (2019: HK$6,874,000). Revenue derived from horticultural services decreased by 4% to approximately HK$6,310,000 (2019: HK$6,584,000). Revenue from provision of property management services contributes HK$3,847,000 (2019: Nil).

Operating and administrative expenses decreased to approximately HK$25,276,000 from the prior year of approximately HK$34,951,000, representing a reduction of 28% year-over-year. The decrease is mainly due to the cost savings of directors salaries, staff cost and office lease.

Finance costs amounted to approximately HK$4,814,000 (2019: HK$8,104,000) decreased by 41%, mainly includes interest cost on bank borrowing approximately HK$4,740,000 (2019: HK$6,042,000) and interest cost on other borrowings of HK$Nil in 2020 (2019: approximately HK$1,946,000). The decrease of finance cost is mainly due to repayment of bank loan of HK$40,000,000 in first half of 2020.

Total equity attributable to owners of the Company as at 31 December 2020 was approximately HK$173,883,000 (2019: HK$196,842,000) as a result of net loss effect for the year ended 31 December 2020.

The net asset value of the Group per share as at 31 December 2020 was approximately HK$0.06 (2019: HK$0.07) based on the 2,819,102,084 (2019: 2,819,102,084) shares in issue.

Business review

Investment properties rental income

The fair value of the Group's investment properties were increased by 1% to HK$392,000,000 (2019: HK$390,000,000) resulting a fair value gain on investment properties by HK$2,000,000 (2019: HK$20,800,000). Rental income derived from investment properties increased by 3% to approximately HK$7,059,000 (2019: HK$6,874,000), while nil% increase after impairment loss on trade receivables of HK$182,000 was made.

Horticultural services

The Group operates horticultural services business under the brand "Cheung Kee Garden", which has over forty years of history and sound reputation in the local market. With the impact of COVID-19 pandemic, a decrease of service contract value was recorded for existing clients, a net increase of number of clients account closed as compared to last year and a new big client obtained during the year, resulting a 4% drop of horticultural services income to approximately HK$6,310,000 (2019: HK$6,584,000)

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business review (Continued)

Graphene and graphene – related products

The Group started the segment of manufacturing and sales of graphene in Japan since 2016. However, in 2018, due to shortage of fund, the Group was unable to further support that business segment. The Board decided to discontinue the construction process and ceased the business in Japan in 2018. As a result, the prepayment of equipment and machinery for manufacturing of graphene has been written off for the year ended 31 December 2018.

In respect of the Group's investment in Taiwan (namely Five Color Stone), impairment loss on investment in associates of approximately HK$12,211,000 was made for the year ended 31 December 2020, as the management expects (after considering the relevant action taken by the Group during the year ended 31 December 2020 and relevant circumstance) that such investment will not be recoverable and it would be prudent to make such provision. Despite the Group's accounting treatment on the Japan business and Taiwan investments, the Group will continue to uphold its legitimate rights and interests and take appropriate actions (including legal actions) in the circumstance.

Property management services

In the second half of 2020, the Group expanded its property management business in Mainland China and entered into service contracts with two Mainland China properties developers (i)深圳市后亭雅苑投資有限公司 (Shenzhen Houting Yayuan Investment Co., Ltd.*) with the properties managed located at 深圳市寶安區沙井東至松沙路南至紐威廠西至中亭路北至中亭東路; (ii)深圳市紅星雅苑置業有限公司 (Shenzhen Hongxing Yayuan Property Co., Ltd.*) with the properties manage located at 深圳市寶安區松崗街道松明大道與寶安大道交匯處.

* The Company name in English is not the official name but a translation for reference only.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Business review (Continued)

Property management services (Continued)

In the last quarter, the Group entered a service agreement of three years with 深圳市坣崗中亞電子城集團有限責任公司 (Shenzhen Tanggang China Asia Electric City Group Co., Ltd*), a connected person of the Group, majority owned by Mr. Huang Binghuang, which permits the Group to operate the property management business with properties located at 粵港澳大灣區，深圳市沙井中心 (Shajing Centre, Shenzhen of the Guangdong-Hong Kong-Macao Greater Bay Area) for the tenants located at this area at free cost, in which the tenants in this area have discretion to engage the property management business service with Group.

The management is of the view that the above-mentioned cooperations and new opportunities may contribute to a stable and growing revenue of the Group.

Future Prospect

The management will further increase the number of properties under its management in the future to develop its property management services. The Company is committed to building the "Valley Property" service brand, continuously optimising and upgrading its property service system, cultivating traditional property services, and taking advantage of the "Internet+" era to build a community platform that meets customers' needs for quality living with customer value at the core. Six ecospheres", namely "Life Production Ecology, Financial Technology Ecosphere, Creative Enterprise Community Ecosphere, Cross-border Ecosphere, Exhibitions Ecosphere and Education Ecosphere", will form a close functional complementary platform for sharing and sharing to provide comprehensive, diversified and sustainable community services to customers, create a new type of ecological community and become a quality living community service provider. In addition, the Group is considering certain property development projects in Southeast Asia and strategic cooperation with Shenzhen Xinzhou City Property Management Co., Ltd* (深圳市新洲城物業管理有限公司), if such projects materialise, will make relevant disclosures in accordance with the Listing Rules as and when appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. The Group's monetary assets and liabilities are denominated and the Group conducts its business transactions principally in Hong Kong dollars same as compare to last year.

As at 31 December 2020, there was outstanding bank loans in the principal sum of HK$160,000,000 (2019: HK$200,000,000). The Group's working capital requirements in 2020 are funded by bank loans and shareholder's loan of HK$58,000,000. On 22 April 2021, the Company accepted a facility letter from the bank that the bank loan of HK$160,000,000 be renewed for one year and will mature in March 2022.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

The Group recorded net current liabilities of approximately HK$232,799,000 for the year ended 31 December 2020 (2019: HK$221,464,000).

The Company has received written confirmation from Mr. Huang Binghuang ("Mr. Huang") that he will continue to provide financial support to the Company to meet all the obligation of the Company to the extent that it is unable to meet those obligations itself.

Gearing Ratio

Debt to equity gearing ratio of the Group as at year ended 31 December 2020 is 125% (2019: 108%) being calculated by bank borrowings and shareholder's loan/shareholder's funds. Debt to asset gearing ratio of the Group as at year ended 31 December 2020 is 52% (2019: 50%) being calculated by bank borrowings and shareholder's loan/total assets

PLEDGE OF ASSETS

As at 31 December 2020, investment properties and bank deposits with an aggregate value of not less than of approximately HK$403,082,000 (2019: HK$400,275,000) were pledged to the bank to secure bank loans granted to the Group.

EMPLOYEES

As at 31 December 2020, the Group has a total of 144 employees (2019: 24), including directors. Taking into account the new operation needs of the Group in Mainland China, the Group has increased its manpower by 120 staff in the second half of 2020. Employee benefits expenses for the year ended 31 December 2020 amounted to approximately HK$11,447,000 (2019: HK$16,190,000). Employees are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and package of Group employees are periodically reviewed by management. Apart from retirement benefits, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisitions and disposals of subsidiaries, associated and joint ventures for the year.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Bye-laws of the Company and the distribution shall achieve continuity, stability and sustainability. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in long-term basis, the financial conditions and business plan of the Group, and the market sentiment and circumstances. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

CHANGE OF CONTROLLING SHAREHOLDER

In 2019, following the completion of the sale and purchase of 2,112,395,735 shares of the Company (representing approximately 74.93% of the existing issued share capital of the Company as at the material time) on 21 June 2019 and the close of the unconditional mandatory general offer on 9 August 2019, China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited), a company incorporated in Hong Kong and ultimately controlled by Mr. Huang, has acquired approximately 74.94% of the entire issued share capital of the Company. After the completion of the unconditional mandatory general offer, the Company continues to operate its existing business and has been expanding its property management business into Mainland China.

Directors' Report

The directors herein present their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 36 to the financial statements.

BUSINESS REVIEW

Business review and prospects

A business review of the Group's and a discussion and analysis of the Group's performance during the year ended 31 December 2020, the financial position and an indication of likely future development in the Company's business are set out in section headed "Business Review and Prospects" on pages 4 to 7 of this Annual Report.

Principal risks and uncertainties

The major risks facing the Group are summarized below.

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-party risk

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance or recruits qualified staff to provide such service.

BUSINESS REVIEW (CONTINUED)

Environmental policies and performance

The Company persistently strive to operate its business in an economic, social and environmentally sustainable manner. During the year, while seeking business growth, the Group assumed its corporate environmental and social responsibilities proactively by making constant progress towards sustainable development. The Group has developed and improved its environmental policies, optimised the efficiency in the use of energy and resources, advocated and promoted environmental protection and reduced the impact of its business development on the environment.

Details of the Company's environmental policy and performance are published in the separate Environmental, Social and Governance Report which will be available at the Company's website and the website of the Stock Exchange not later than 3 months after the publication of this annual report.

Compliance with laws and regulations

The incorporation places of the Company and its subsidiaries includes Bermuda, Hong Kong, the British Virgin Islands (the "BVI"), Mainland China, Japan and an associate company in Cayman Islands. The Group's operations are carried out by the Company's subsidiaries in Hong Kong, Mainland China and Japan while the Company itself is listed on the Stock Exchange of Hong Kong Limited. Our establishment and operations accordingly shall comply with relevant laws and regulations of Bermuda, Hong Kong, People Republic's of China, the BVI, Japan and Cayman Islands. During the year ended 31 December 2020, we have complied with all the relevant laws and regulations in the statutory and business operation.

Key relationships with employees, customers and suppliers

The Group promoted people-oriented management cultures and emphasized the value of employees as it believed employees were important resources for enhancing the Company's productivity and core competency. To provide employees with competitive remunerations and opportunities to receive skill trainings is closely connected to the realization of employees' individual values as well as the Group's strategic goals.

The Group maintained good cooperation and communications with suppliers and ensured both sides were mutually benefited. The Group also paid close attention to customers' satisfaction and constantly enhanced service quality in order to maintain good reputation of the Company.

FINANCIAL STATEMENTS

The results and cash flows of the Group for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 102.

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020.

Directors' Report

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and noncontrolling interests of the Group for the last five financial years is set out on the page 104 of this Annual Report.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was Nil (2019: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 41% (2019: 25%) of the total sales for the year and sales to the largest customer included therein amounted to 24% (2019: 15%).

Purchases from the Group's five largest suppliers accounted for 73% (2019: 54%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 31% (2019: 29%).

As far as the directors are aware, neither the directors, their close associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's issued shares had any interest in the five largest customers and suppliers.

QUALIFIED OPINION

The auditor of the Company, ZHONGHUI ANDA CPA Limited (the "Auditor"), has expressed Qualified Opinion for the financial years ended of 31 December 2018, 2019 and 2020. Details of the basis of the Qualified Opinion are included in the Independent Auditor's Report (the "Audit Qualifications") on pages 38 to 43 of this report. In gist, there was insufficient accounting documents relating to the business and financial operations of the Company's Taiwan associate, namely Five Color Stone Technology Corporation ("Five Color Stone") and the Company's Japan subsidiaries, namely WI Capital Co., Limited and WI Graphene Co., Limited ("WI Capital" and "WI Graphene" respectively).

The reason why the Auditor could not obtain the required information and documents for audit purpose at the relevant time was due to Five Color Stone, WI Capital and WI Graphene not having provided the required documents to the Auditor for the audit of the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018 in a timely manner or at all.

After the new management of the Company has been appointed in September 2019, the Board has proactively arranged for site visits of consultants to Taiwan and Japan for the purpose of obtaining and reviewing necessary information and documents to the satisfaction of the Auditor in order to remove the Audit Qualification. However, due to a number of incidents in Hong Kong which has delayed the investigation process, including the HK protests, the Christmas and new year holiday period, together with the COVID-19, the Board and management were unable to obtain the necessary information and documents required by the Auditor and therefore the Audit Qualifications remains for FY2019.

Throughout the year ended 31 December 2020, the Company has made its effort to resolve the qualified opinion expressed by the auditors of the Company for the financial years ended 31 December 2019 and 2018 (and with a view of avoiding further qualified opinions expressed by the Auditor for the year ended 31 December 2020), including but not limited to the followings:

The Company has continuously investigated the cause of the relevant events surrounding the Qualified Opinion and has exhausted various means to obtain relevant information to satisfy the Auditor's information requests. The Company made specific demands to former management personnel of the Company requesting for a consultation in relation to the circumstance pertaining to the Qualified Opinion, and has instructed its legal advisers to issue formal legal requests in that regard.

In February 2020, the Company engaged a Hong Kong lawyer and in April 2020, the Company engaged a Japanese lawyer with the scope of work mainly to obtain financial and corporate documents from WI Capital, WI Graphene and Five Colour Stone to complete the audit for the year ended 2018, 2019 and 2020.

WI Capital and WI Graphene

The operations of WI Capital and WI Graphene were ceased in the year of 2018. In December 2019, two consultants of the Company made a visit to Japan to meet the former director and/or current personnel and current registered director, Mr. Masaru Futohashi ("Mr. Futohashi"), of WI Capital and WI Graphene ("Relevant Japan Personnel") to understand the Japan business; and in December 2019 the Relevant Japan Personnel visited the Shenzhen operations. During the visit in Japan, there was no site visit arranged for inspecting the prepaid machine and the office was closed due to the cessation of operations.

QUALIFIED OPINION (CONTINUED)

WI Capital and WI Graphene (Continued)

During the year of 2020, the Company has persistently demanded the Relevant Japan Personnel of WI Graphene and WI Capital to return the relevant corporate, financial and shareholding documents of WI Graphene and WI Capital. In February 2020, a Hong Kong lawyer was appointed to contact the Relevant Japan Personnel to obtain the required audit documents to remove the qualified opinion in 2018 and to complete the audit for the year ended 31 December 2019.

In August 2020, the Japanese lawyer was instructed to prepare legal document to effect the new appointment of a new director nominated by the Company to the board of WI Capital, however, such process was not completed without the handover of the Company seal of WI Capital from Mr. Futohashi for the completion of the registration of the change of directorship with the relevant authority in Japan.

In September 2020, the Company received notice from Japanese lawyer that Mr. Futohashi has transferred all the equity interests in WI Graphene to an unknown Japanese individual (the "Suspected Transfer"), in relation to which shareholders may refer to the announcements of the Company dated 18 September 2020 and 29 September 2020. The Company immediately reported the Suspected Transfer to both the Japan Police and Hong Kong Police ("the Police Authorities"), however, both Police Authorities required further evidence in order to proceed.

In November 2020, in the course of pursuing relevant information and documents for audit, the Company was given certain information in respect of certain alleged sums owing to the Relevant Japan Personnel, the Company accordingly requested the Relevant Japan Personnel to provide financial information so as to verify the validity, and truthfulness of such amount and whether such amount has previously been paid. However, the Relevant Japan Personnel insisted to receive payment before providing financial information to the Company for audit.

In March 2021, the Company engaged a new Japan legal representative to assist the Company with the retrieval of shareholder's information and documents of WI Capital and WI Graphene to effect the completion of the change of directors and the planning and coordination of potential legal proceedings to be brought against the Relevant Japan Personnel, if appropriate.

Throughout the year of 2020 and up to March 2021, the Company established dialogue with a view of resolving the issues between the parties, including through representatives of the Company, Hong Kong lawyers and local lawyers.

Despite the Company's persistent demands, the Relevant Japan Personnel of WI Capital and WI Graphene refused to provide the Company the management accounts for the year ended 2020 and the relevant information and documents of WI Capital and WI Graphene. Accordingly, the Auditor was not provided with sufficient audit evidence and issued the Qualified Opinion.

To the best endeavours of the Company, up to the printing date of this annual report, the latest actions taken by the Company, including but not limited to the verification of alleged suspected transfer of the equity interest in WI Graphene and the Company's attempt to complete the registration procedure to replace Mr. Futohashi as sole director of WI Capital. In addition, efforts were made by the Company in setting up consultations with service provider specializing in liquidation and/or administration so as to seek preliminary view on whether or by what means the entities pertaining to the Qualified Opinion may be liquidated or be disposed. The Company has also continuously discussed with its auditors in respect of the effects of potential actions and plans to be taken out by the Company in the perspective of the final removal of the Qualified Opinion.

QUALIFIED OPINION (CONTINUED)

Five Color Stone

The Company persistently demanded Five Color Stone to provide the required information and documents for audit. A meeting between two consultants of the Company and the sole director of Five Color Stone was held in Taiwan in January 2020 with a view of resolving the issues relating to audit evidence of Five Color Stone. In February 2020, a Hong Kong lawyer was appointed to contract director of Five Color Stone. In May and June 2020, the Company's Hong Kong lawyer discussed with the director of Five Color Stone to explore the feasibility of further investment in the business, however, after careful consideration, the Company decided not to further invest in Five Color Stone.

In light of the non-controlling stake that the Group held in Five Color Stone, the Company has considered a disposal of such interest indirectly through its holding entity by way of a restructuring, and has sought preliminary advice in that regard. The Company has conducted further studies on a proposal to liquidate Five Color Stone directly or indirectly through its holding entity. The Company has regularly review the position of Five Color Stone and revisit its progress thereon, and will take actions as and when appropriate with the aid of advisers and professional parties.

Notwithstanding the efforts of the Company, management accounts for the year ended 2020 was not provided and no sufficient information and documents of Five Color Stone have been provided to the Company and the Auditor. Accordingly, the Auditor was not provided with sufficient audit evidence and issued the Qualified Opinion.

In respect of the Group's investment in Five Color Stone, impairment loss on investment in associates of HK$12,211,000 was made for the year ended 31 December 2020, as the Board expects (after considering the relevant action taken by the Group during the year ended 31 December 2020 and relevant circumstance) that such investment will not be recoverable and it would be prudent to make such provision.

As disclosed in the announcement of the Company dated 28 January 2021, the Company demanded the relevant officers of Five Color Stone, WI Capital and WI Graphene to provide the Company with the relevant information and documents of Five Color Stone, WI Capital and WI Graphene for audit purposes. Despite persistent demand, such attempts were in vain. Without being able to obtain the necessary additional documents for audit purpose, the Board acknowledges the insufficiency of documents for audit and therefore agreed the Audit Qualifications issued by the Auditor.

Given that the Company has written off approximately HK$55 million on the 2018 annual financial statements of the Group, the Suspected Transfer will not have any material effect on the financial statements on 2020, further impairment is impossible without relevant document be obtained. For the Group's investment in Five Color Stone, an impairment loss on investment in associates of approximately HK$12,211,000 was made for the year ended 31 December 2020 as such amount expected not to be recoverable and would be prudent to make such provision. The Board understood that the impairment of approximately HK$12,211,000 was provided to zero amount on the balance sheet, the accurate amount cannot be ascertain and further impairment is impossible without relevant document be obtained. Despite the Group's accounting treatment on the Japan business and Taiwan investments, the Group will continue to uphold its legitimate rights and interests and take appropriate actions (including legal actions) in the circumstance.

QUALIFIED OPINION (CONTINUED)

The audit committee of the Company confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above. The Audit Committee further agreed with the management's position and assessment towards the financial position of the Company as mentioned above.

Currently, the Company is in initial contact with its another legal adviser, who is studying the potential legal actions that the Company may take against former managements of the Company concerning the duties in respect of the handover and management of the Company.

Along with the historical practice of the Company, the Company has engaged Zhonghui ANDA Risk Services Limited, an independent internal control adviser to conduct an annual review of the internal control system, risk management and financial reporting of the Group in response to potential issues in relation to the Qualified Opinion.

Considering that the Audit Qualifications remains for the financial year ended 31 December 2020, the Company proposes to take the following plan in order to remove the Audit Qualifications in the financial statements of the financial year ending 31 December 2021 or 2022:

(a) the Company plans to seek potential buyer for the disposal of the entities subject to Qualified Opinion at a fair and reasonable consideration to be agreed on an arm's length basis. It is currently in the process of initiating preparation of such disposals. The Company will engage and consult appropriate advisers in relation to the proper procedures that the Company should follow to facilitate a compliant and complete resolution of the Qualified Opinion through a disposal exercise, which may involve an intra-group restructuring, researching into the areas, advising on the relevant procedures and implications, negotiation with relevant counterparties, valuation, preparation of relevant documentations, regulatory approvals and external and internal approvals and consents. The consummation of such disposal is subject to actual business circumstance, market conditions, the negotiations between the Company and potential buyers and the time required for the preparation of relevant documents and regulatory approvals. In the event of a successful disposal of the entities subject to Qualified Opinion within 2021, the Company expects the Audit Qualifications will be carried to the auditor's report for the financial year ended 31 December 2021, because the Company continues to hold the entities interest at some part of the year of 2021, the qualification on corresponding figures for the financial year ended 31 December 2022 remains, and the Audit Qualification will be removed in the financial year ended 31 December 2023; and

(b) alternatively, the Company would consider winding-up Five Color Stone, WI Capital and WI Graphene after obtaining relevant professional advice. In this case, the Company expects the Audit Qualification will remain on for the financial year ended 31 December 2021, the qualification on corresponding figures for the financial year ended 31 December 2022 remains, and the Audit Qualification will be removed in the financial year ended 31 December 2023.

The Company will keep the shareholders and investors informed and updated about the progress of addressing the Audit Qualifications as and when appropriate.

Directors' Report

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors:

Mr. Huang Binghuang *(Chairman and Chief Executive Officer)*
Ms. Xia Ping
Mr. Zhao Juqun (appointed on 12 June 2020 and resigned on 1 April 2021)
Mr. Zhou Chen (retired on 12 June 2020)

Non-executive director:

Ms. Wang Lijiao

Independent non-executive directors:

Mr. Lum Pak Sum
Mr. Duan Rihuang (appointed on 12 June 2020)
Dr. Wong Yun Kuen (appointed on 12 June 2020 and resigned on 30 December 2020)
Mr. Gao Han (retired on 12 June 2020)
Mr. David Chow Chi-ping (retired on 12 June 2020)

In accordance with the Company's Bye-law 87(1), Mr. Huang Binghuang and Ms. Xia Ping, will retire from office by rotation, being eligible, offer themselves for re-election as directors at the forthcoming annual general meeting. In accordance with the Company's Bye-law 86(2), Mr. Duan Rihuang shall hold office until the forthcoming annual general meeting and be subject to re-election at such meeting. Mr. Lum Pak Sum and Ms. Wang Lijiao will voluntarily retire and offer themselves for re-election as directors at the forthcoming annual general meeting.

The Company has received from each of the independent non- executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers each of the independent non-executive Directors is independent.

Pursuant to Code Provision A.5.5 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, if a proposed independent non-executive director will be holding his seventh (or more) listed company directorship, the circular should set out why the Board believes such person would still be able to devote sufficient time to the Board.

Mr. Lum is holding directorship in six other listed companies in Hong Kong in addition to his directorship in the Company. All of Mr. Lum's other directorships are non-executive in nature and do not require Mr. Lum to devote his full time and attention to the affairs of those companies. Mr. Lum has since his appointment on 30 September 2019 attended the vast majority of board meetings, board committee meetings and general meetings of the Company, and has made significant contributions to the supervision and oversight of the Company's affairs, including but not limited to financial reporting, corporate governance, risk management and regulatory compliance. In addition, Mr. Lum has confirmed that he is able to devote sufficient time to the affairs of the Company, as evidence by his previous high attendance rate, swift response to the affairs of the Company and the frequent expressions of his view and independent judgment on the matters brought to his attention. The Company has also taken into account the qualification, skills and experience of Mr. Lum, his valuable contribution to the Company and the character and integrity as an independent non-executive Directors shown by Mr. Lum since his appointment.

DIRECTORS (CONTINUED)

After taking into account the abovementioned factors, the Board is of the view that Mr. Lum is able to devote sufficient time to perform his responsibilities and attention to the affairs of the Company as an independent non-executive Director notwithstanding the other directorships that he is holding. The Board is also of the view that Mr. Lum would continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

The Company and nomination committee of the Company will from time to time quantitatively and qualitatively review the performance of each Director, and in particular Directors holding multiple listed company directorships so as to ensure that each of the Directors would devote sufficient time and attention to the affairs of the Company.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriated directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number and class of shares held	Percentage
Huang Binghuang	Interest of controlled corporation	2,112,533,229 ordinary shares	74.94%

Note:

Mr. Huang Binghuang ("Mr. Huang") was deemed to be interested in the 2,112,533,229 shares held by China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited) as Mr. Huang indirectly holds 90% of the shares of China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited).

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Save as disclosed above, as at 31 December 2020, none of the directors and the chief executive of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any executive Director or any person engaged under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE OPTION SCHEME

Purpose of the scheme

The existing share option scheme (the "Scheme") of the Company was adopted on 25 June 2013 for the purposes of enabling the Group to provide incentives or rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of the Group and to enable the Group to recruit and/or to retain high- calibre employees and attract human resources that are valuable to the Group.

Participants of the scheme

The directors of the Company are authorised, at their discretion, to invite eligible participants, including the directors or any employee (whether full time or part time) of the Group or an affiliate, and any consultant, agent, or advisor of the Group or an affiliate, to take up options (the "Option(s)") to subscribe for shares of the Company under the Scheme.

Total number of shares available for issue

On the adoption date of 25 June 2013, the total number of shares of the Company (the "Shares") available for issue under the Scheme were 263,165,208, representing 10% of the issued Shares of the Company as at the date of adoption of the Scheme and approximately 9.34% of the issued shares of the Company as at the date of the annual report.

On 27 May 2016, the ordinary resolution of refreshment of the Scheme limit was approved by shareholders at the annual general meeting of the Company.

During the year ended 31 December 2020, no Option had been granted, exercised, lapsed, or was cancelled under the Scheme.

Maximum entitlement of each participant

The maximum number of Shares in respect of which the Options may be granted to any one participant in any twelve-month period shall not exceed 1% of the total number of shares in issue from time to time.

SHARE OPTION SCHEME (CONTINUED)

Time of exercise of option

The Options may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the directors of the Company and not exceeding ten years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised.

Acceptance of offer

The offer of a grant of share options may be accepted within twenty- one days from the date of offer upon an initial payment of HK$1 in total for each acceptance.

Basis of determining the exercise price

The exercise price of the Options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant, which must be a business day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the grant; and

(c) the nominal value of a Share.

Remaining life of the Scheme

The Scheme became effective on 25 June 2013 and will remain in force for a period of 10 years from that date.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 35 to the financial statements, no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF INFORMATION ON DIRECTORS

There has been no change to the information of the Directors as at the date of this annual report that is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings every year. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group

RELATED PARTY TRANSACTIONS

Details of transactions between the Group and parties regarded as "Related Parties" under applicable accounting principles are set out in note 35 to the financial statements. No transaction disclosed thereto constitutes connected transaction or continuing connected transaction of the Company subject to, among other things, reporting, announcement or independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2020, none of the Directors or any of their respective close associates (as defined in the Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2020, the interests or short positions of the following substantial shareholders (other than persons who were directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions in shares and underlying shares of the company:

Name of shareholders	Nature of interest	Number and class of shares held	Percentage
Huang Binghuang (Note 1)	Interest of controlled corporation	2,112,533,229	74.94%
China Asia Group (HK) Limited (Note 2)	Interest of controlled corporation	2,112,533,229	74.94%
Zhengbo International Corporation (Note 3)	Interest of controlled corporation	2,112,533,229	74.94%
深圳市中亞實業發展有限公司(附註4)	Interest of controlled corporation	2,112,533,229	74.94%
China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited)	Beneficial Owner	2,112,533,229	74.94%

Notes:

1. Mr. Huang Binghuang ("Mr. Huang") was deemed to have 2,112,533,229 shares held by China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited) as Mr. Huang indirectly holds 90% of the shares of China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited).

2. China Asia Group (HK) Limited holds 41% of the beneficial interests in China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited) which holds 2,112,533,229 shares of the Company. Therefore, China Asia Group (HK) Limited is deemed to have 2,112,533,229 shares of the Company held by China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited).

3. Zhengbo International Corporation holds 59% of the beneficial interests in China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited) which holds 2,112,533,229 shares of the Company. Therefore, Zhengbo International Corporation is deemed to have 2,112,533,229 shares of the Company held by China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited).

4. 深圳市中亞實業發展有限公司 is the sole shareholder of China Asia Group (HK) Limited. With reference to Note 3 above, 深圳市中亞實業發展有限公司 is deemed to have 2,112,533,229 shares of the Company held by China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited).

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES (CONTINUED)

Long positions in shares and underlying shares of the company: (Continued)

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any other persons (other than persons who were directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

LOAN AGREEMENT

1. On 14 May 2020, the Company accepted a revised facility letter relating to a term loan facility in an aggregate amount of HK$200,000,000 (the Facility" or the "First Facility Letter") offered by a licensed bank in Hong Kong (the "Bank").

   The terms of the First Facility Letter at is as follows:

   (a) Out of the Facility of HK$200 million, it was revised that HK$120 million to be repaid in full from 15 August 2020 to 15 March 2021 or later date as the Bank agreed;

   (b) The Company shall make partial prepayment of HK$40 million to the loan amount of HK$80 million on or before 17 June 2020 and the HK$80 million shall be repaid in full on 30 March 2021;

   (c) During the facility period, deposits (excluding the charged portion of HK$4 million) maintained by the Company and Super Homes Limited with the Bank shall not be less than HK$6 million;

   (d) HK$250,000 shall be paid by the Company as the Bank's administrative fees for the adjustment of the Facility;

   (e) The interest rate of the Facility be changed from (the lower of Hibor +2% or Prime Rate -2%) to the (lower of Hibor +2% or Prime Rate -0.5%); and

   (f) The minimum occupancy rate of the Company's properties changed from 80% to 60% or above within three (3) months.

2. In May 2020, the Company repaid HK$40 million to the Bank according to the above point 1(b).

LOAN AGREEMENT (CONTINUED)

3. On 22 April 2021, the Company accepted a facility letter dated 16 March 2021 (the "Second Facility Letter") from the Bank with the same terms of the First Facility Letter except the followings:

   (a) The final maturity date of HK$120 million is revised to 15 March 2022 or later date as the Bank may agree;

   (b) The final maturity date of HK$80 million is revised to 30 March 2022 or later date as the Bank may agree;

   (c) During the facility period, deposits (excluding the charged portion of HK$4 million) maintained by the Company and Super Homes Limited with the Bank is revised from HK$6 million to HK$7 million; and

   (d) Handling fee of HK$150,000 and valuation fee of HK$50,000 will be deducted to Company's bank account upon acceptance of the Second Bank Facility Letter.

SUBSEQUENT EVENT

Details in relation to the actions taken by the Company in relation to the Qualified Opinion after 31 December 2020 are disclosed in page 13 of this annual report.

On April 2021, China Asia Valley Property Management (Shenzhen) Co., Ltd* (中亞烯谷物業管理(深圳)有限公司) entered into a strategic cooperation agreement with Shenzhen Xinzhou City Property Management Co., Ltd* (深圳市新洲城物業管理有限公司), pursuant to which the parties have agreed to collectively explore the development of modern property value-added services. The term of cooperation is three years, and the details and particulars of the cooperation are subject to a formal agreement to be entered into by the parties.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, as at the date of the report, the Company has maintained the prescribed public float under the Listing Rules.

DISMISSAL OF WINDING-UP PETITION

Upon joint application of the petitioner and China Asia Group (HK) Limited (中亞集團(香港)有限公司) ("CAG") by way of consent summons, an order was made by the High Court of the Hong Kong Special Administrative Region ("High Court") on 10 August 2020 that, among others, the winding-up petition against CAG be struck out and dismissed. A sealed copy of the said order was issued by the High Court on 13 August 2020.

AUDITORS

A resolution was approved by shareholders at the annual general meeting held on 28 May 2018, RSM Hong Kong ("RSM") was appointed as auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company. Since the Company and RSM could not arrive at a consensus on the audit fee, RSM resigned as the auditor of the Company with effect from 27 December 2018.

Afterwards, a resolution was approved by the shareholders at the special general meeting of the Company held on 30 January 2019, ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the new auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company.

Finally, a resolution was approved by the shareholders at the annual general meeting of the Company held on 12 June 2020, ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the new auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2020 were audited by ZHONGHUI. ZHONGHUI shall retire as auditor of the Company at the forthcoming annual general meeting. A resolution for the re-appointment of ZHONGHUI as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Huang Binghuang
Chairman

Hong Kong, 26 March 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that good corporate governance is crucial to improve the efficiency and performance of the Company and to safeguard the interests of the shareholders.

During the year ended 31 December 2020, the Company had applied the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except that:

1. The chairmen of the Board and the nomination committee were absent from the annual general meeting of the Company due to other important engagements at the relevant time and this deviates from code provision E.1.2 of the CG Code as set forth in Appendix 14 to the Listing Rules. The annual general meeting was chaired by a non-executive Director, and attended by the chairmen of the audit committee and remuneration committee and member(s) of the nomination committee. These persons were available to answer questions (if any) at the annual general meeting, which provides a channel of communication between the Company and its shareholders.

2. As Mr. Huang serves as both the chairman of the Board and the Chief Executive Officer with effect from 30 September 2019, such practice deviates from code provision A.2.1 of the CG Code as set forth in Appendix 14 of the Listing Rules. The Board believes that vesting the roles of both the chairman of the Board and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, one non-executive Director and three independent non-executive Directors (two independent non-executive Directors after Dr. Wong Yun Kuen's resignation with effect from 30 December 2020), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exact than the Code. The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Composition of the Board of Directors

The composition of the Board during the year of 2020 and up to the date of this Report was as follows:

Executive directors:

Mr. Huang Binghuang *(Chairman)*
Ms. Xia Ping
Mr. Zhao Juqun (appointed on 12 June 2020 and resigned on 1 April 2021)
Mr. Zhou Chen (retired on 12 June 2020)

Non-executive director:
Ms. Wang Lijiao

Independent non-executive directors:
Mr. Lum Pak Sum
Mr. Duan Rihuang Han (appointed on 12 June 2020)
Dr. Wong Yun Kuen (appointed on 12 June 2020 and resigned on 30 December 2020)
Mr. Chow Chi Ping (retired on 12 June 2020)
Mr. Gao Han (retired on 12 June 2020)

The following table shows the attendance of each individual member of the Board at the respective meetings of the Board and the respective Board Committees as well as the general meeting held during the year ended 31 December 2020.

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive directors:					
Mr. Huang Binhuang	7/7	N/A	N/A	N/A	0/1
Ms. Xia Ping	7/7	N/A	N/A	N/A	1/1
Mr. Zhao Juqun (Note 1)	3/3	N/A	N/A	N/A	N/A
Mr. Zhou Chen (Note 2)	4/4	N/A	N/A	N/A	0/1
Non-executive director:					
Ms. Wang Lijiao	7/7	3/3	N/A	N/A	1/1
Independent non-executive directors:					
Mr. Lum Pak Sum	5/7	3/3	N/A	N/A	1/1
Mr. Duan Rihuang (Note 3)	1/3	0/1	N/A	N/A	N/A
Dr. Wong Yun Kuen (Note 4)	3/3	1/1	N/A	N/A	N/A
Mr. Gao Han (Note 5)	1/4	1/2	N/A	N/A	0/1
Mr. Chow Chi Ping (Note 6)	3/4	2/2	N/A	N/A	0/1

BOARD OF DIRECTORS (CONTINUED)

Composition of the Board of Directors (Continued)

Notes:

1. Mr. Zhao Juqun was appointed on 12 June 2020 and resigned on 1 April 2021.
2. Mr. Zhou Chen retired on 12 June 2020.
3. Mr. Duan Rihuang was appointed on 12 June 2020.
4. Dr. Wong Yun Kuen was appointed on 12 June 2020 and resigned on 30 December 2020.
5. Mr. Gao Han retired on 12 June 2020.
6. Mr.Chow Chi Ping retired on 12 June 2020.

Functions of the Board

The Board supervises the management of the business and affairs of the Company and its subsidiaries (the "Group"). Apart from its statutory duties, the Board reviews and approves the Group's strategic plans, key operational initiatives, major investments and funding decisions, annual business plans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management personnel.

Guidelines are established which specify certain material transactions that require the Board's approval which include mergers and acquisitions, divestments and major capital expenditure.

The Board has separate and independent access to management and the company secretary. Management provides the Board with reports of the Group's performance, financial position and prospects, and these are reviewed by the Board at Board meeting. Directors may obtain independent professional advice in furtherance of their duties at the Group's expense.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Independent non-executive directors

Pursuant to Rules 3.10(1), and 3.25 of the Listing Rules, (i) the Board is required to have at least three independent non-executive Directors; and (ii) the Company must establish a remuneration committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors. iii）the Company has to identify suitable candidate to act as independent non executive Director and the position of chairman of the remuneration committee within three months upon vacancy.

Following (i) the resignation of Dr. Wong Yun Kuen as an independent non-executive Director, the chairman of remuneration committee on 30 December 2020; the Company failed to satisfy the requirements under Rules 3.10(1), 3.11 and 3.25 of the Listing Rules during the period between 30 December 2020 and to present.

BOARD OF DIRECTORS (CONTINUED)

Directors' continuous professional development

Directors are encourages to participate in continuing professional development to develop and refresh their knowledge and skills.

During the year, all directors received briefings and updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to rules and regulations applicable to the Company were provided to them. The Company has received from each of Directors the confirmation on and training record of taking continuous professional training.

CHAIRMAN

During the year of 2020, Mr. Huang Binghuang performs the role of the Chairman of the Company. Mr. Huang Binghuang focus on formulating the corporate direction and strategies of the Company.

NON-EXECUTIVE DIRECTORS

All the non-executive and independent non-executive directors have entered into letters of appointment with the Company for a term of three years subject to the requirements of the Listing Rules and the Bye-laws of the Company, including the requirement of retirement by rotation and re-election or standing for re-election at annual general meetings of the Company at least once every three years.

BOARD COMMITTEES

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference. The audit committee is responsible for reviewing and monitoring the financial reporting process and internal control system of the Company, and shall assist the Board to fulfill its responsibility over the audit process.

During the year of 2020 and up to the printing date of this Report, the Audit Committee comprises all independent non-executive directors (except for Mrs. Wang Lijiao who is a non-executive director) of the Company, they are as follows:

Mr. Lum Pak Sum *(Chairman of the Audit Committee)*
Ms. Wang Lijiao
Mr. Duan Rihuang (appointed on 12 June 2020)
Dr. Wong Yun Kuen (appointed on 12 June 2020 and resigned on 30 December 2020)
Mr. Chow Chi Ping (retired on 12 June 2020)
Mr. Gao Han (retired on 12 June 2020)

BOARD COMMITTEES (CONTINUED)

Audit committee (Continued)

During the year ended 31 December 2020, the Audit Committee met three occasions, two with the presence of external auditors and discharged its responsibilities in its review of the interim and annual results. The work performed by the Audit Committee for the year ended 31 December 2020 included reviewing and discussion of the following:

a. the consolidated financial statements for the year ended 31 December 2019 of the Group, with a recommendation to the Board for approval; and issue positive profit alert warning announcement.

b. the consolidated financial statements for the six months ended 30 June 2020 of the Group, with a recommendation to the Board for approval;

c. the appointment of the external auditor, the remuneration and terms of engagement of external auditor, with a recommendation to the Board for approval;

d. the risk management and internal control system of the Group;

e. the audit process and its effectiveness, audit fees and independence and objectivity of the external auditors for the year ended 31 December 2020, with a recommendation to the Board for approval; and

f. the compliance status of the Group with the Listing Rules and legal requirements in relation to financial reporting.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2020 of the Group, with a recommendation to the Board for approval.

Remuneration committee

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference. The primary responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all directors and senior management of the Company.

During the year of 2020 and up to the printing date of this Report, the Remuneration Committee comprises all independent non-executive directors (except Ms. Xia Ping who is an executive director) of the Company, they are as follows:

Dr. Wong Yun Kuen *(the Chairman of the Remuneration Committee)*
(appointed on 12 June 2020 and resigned on 30 December 2020)
Mr. Lum Pak Sum
Ms. Xia Ping
Mr. Duan Rihuang (appointed on 12 June 2020)
Mr. Chow Chi Ping (retired on 12 June 2020)

BOARD COMMITTEES (CONTINUED)

Remuneration committee (Continued)

During the year 2020 and up to the printing date of this Report, the Remuneration Committee held one meeting and preformed the work included the followings:

a. reviewing and discussing the remuneration package of the existing and new appointment of the directors of the Company; and

b. making recommendation of new remuneration packages of the directors and communicating to the Board.

The remuneration of directors is determined with reference to their duties and responsibilities, market conditions and performance of the Group. Details of emoluments of directors for the year ended 31 December 2020 are set out in note 15 to the financial statements.

Nomination committee

The Company established a nomination committee (the "Nomination Committee") with written terms of reference. The primary responsibilities of the Nomination Committee are to review the structure, size, composition and diversity of the Board on a regular basis and to make recommendations to the Board the suitable candidates for directorship after consideration of the nominees' independence and quality in order to ensure fairness and transparency of all nominations.

During the year of 2020 and up to the printing date of this Report, the Nomination Committee comprises all independent non-executive directors (except Mr. Huang Binghuang who is an executive director) of the Company, they are as follows:

Mr. Huang Binghuang *(the Chairman of the Nomination Committee)*
Mr. Lum Pak Sum
Dr. Wong Yun Kuen (appointed on 12 June 2020 and resigned on 30 December 2020)
Mr. Duan Rihuang (appointed on 12 June 2020)
Mr. Gao Han (retired on 12 June 2020)

BOARD COMMITTEES (CONTINUED)

Nomination committee (Continued)

During the year 2020 and up to the printing date of this Report, the Nomination Committee held one meeting and preformed the work included the followings:

a. reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board;

b. reviewing the new appointment of the Executive Director and the Independent Non-Executive Directors;

c. reviewing the re-appointment of retiring directors for re- election;

d. assessing the independence of the Independent Non-Executive Directors; and

e. making recommendation to the Board on the appointment of director.

NOMINATION POLICY

The secretary of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate for director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board pursuant to the applicable code provisions of the CG Code which include:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b. to review and monitor the training and continuous professional development of the directors and senior management of the Company;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the directors of the Company; and

e. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board had reviewed the corporate governance matters of the Company for the year ended 31 December 2020, except for the deviation disclosed previously, the Company had complied with the principles and applicable code provisions of the CG Code and was not aware of any non-compliance to relevant applicable legal and regulatory requirements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2020, which give a true and fair view of the state of affairs of the Company and of the Group at the date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and accounting standards. Save as disclosed in the section "Material Uncertainty Related to the Going Concern" in the Independent Auditor's Report, the directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 38 to 43 of the Annual Report 2020.

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the auditor of the Company and its subsidiaries would receive approximately HK$880,000 (2019: HK$830,000) for audit and audit related services, and HK$140,000 (2019: HK$210,000) for other non-audit services.

COMPANY SECRETARY

During the year of 2020, Ms. Wong Hoi Yan, Audrey was the Company Secretary of the Company, who has complied with all the qualifications under the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to the Bye-law 58 of the Company, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the principal place of business in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/ business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. The Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business. If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

Putting enquiries to the board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the principal place of business in Hong Kong and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

Putting forward proposals at shareholders' meeting

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the principal place of business in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

INVESTOR RELATIONS

The Directors meet and communicate with shareholders at the general meeting of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on the day of the general meeting.

Our Company's website which contains corporate information, corporate governance practice, interim and annual reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

AMENDMENT TO BYE-LAWS

The Company did not amend its Bye-laws during the year ended 31 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has formulated a policy and procedures on disclosure of inside information (the "Policy") in accordance with Part XIVA of the Securities and Futures Ordinance, the Listing Rules and the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission. The policy applies to all employees of the Company. The Board will be responsible for adopting and periodically reviewing and updating the Policy.

Moreover, the Company has employed an external consultant to review and comment the Group's financial reporting procedures, system and internal controls for the year ended 31 December 2020. The consultant has provided to the Board a review report (the "Report") which contain recommendations to address the identified control design and implementation effectiveness. The Board has reviewed the Report and has made the improvement to the Company's risk management and internal control systems.

A year-end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate.

Directors' Biographies

EXECUTIVE DIRECTOR

Mr. Huang Binghuang ("Mr. Huang"), aged 49, was appointed as an executive director, chariman of the Board and chief executive officer of the Company on 30 September 2019. He graduated from the Chongqing University. He was the largest shareholder, executive director, CEO and Chief Operating Officer of Grand Field Group (HK0115), a company listed on the Main Board of Hong Kong. He served as a consultant to the dean of Peking University, a member of Tenth Committee of the Chinese People's Political Consultative Conference (CPPCC) of Jiangxi Province and the special representative of Hong Kong and Macau of the Eleven Session of the CPPCC, a director of Overseas Friendship Association of Jiangxi. He also served as the executive vice chairman of the Hong Kong-Jiangxi Association of Societies, honorary chairman of the China-Africa Investment Club, vice chairman of the International Economic Development Research Center, honorary president of the China Forestry and Environment Promotion Association, vice president of the China Federation of Modern Service Industries, officer of the China Brand and Integrity Magazine (Shenzhen) Office, director of the Shenzhen Federation of Industry and Commerce, China Society for Promotion of the Guangcai Program, president of the Lions Clubs of Central Asia, and honorary chairman of many higher education and industry institutions. Mr. Huang is deemed to be interested in the 2,112,533,229 shares held by China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited) as Mr. Huang indirectly holds 90% of the shares of China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited), which would fall to be disclosed to the listed issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Ms. Xia Ping ("Ms. Xia"), aged 49, was appointed an executive director of the Company on 30 September 2019. Ms. Xia graduated from the East China University of Technology, Fuzhou Normal University (東華理工大學撫洲師範學院), majoring in Chinese Language and Literature in 1992 and the China Central Radio and TV University (中央廣播電視大學) in the PRC majoring in Chinese Language and Literature in 2005 and obtained the qualification of intermediate accountant issued by the Ministry of Finance of the PRC in 2006. She is the executive president of Shenzhen Haogang Zhongya Electronic City Group Co., Ltd(深圳市坐崗中亞電子城集團有限責任公司). Besides, Ms. Xia also acts as an executive director of Zhongya Daye Industrial Park Management Co., Ltd. (中亞大冶產業園管理有限公司), a director of Shenzhen Zhongya Film Industry Co., Ltd (深圳市中亞影視產業有限公司) and a supervisor of Shenzhen Zhongya Film Industry Co., Ltd (中亞視界科技(深圳)有限公司).

NON-EXECUTIVE DIRECTOR

Ms. Wang Lijiao ("Ms. Wang"), aged 40, was appointed as an non-executive director of the Company on 30 September 2019. Ms. Wang is the director of China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited) and China Asia Group (HK) Limited. She has served as the chief financial officer of China Asia Zhi Ye Group Limited Company (中亞置業集團有限公司) since 8 April 2008.

Directors' Biographies

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lum Pak Sum ("Mr. Lum"), aged 60, has been a fellow member of the Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants UK since 1996 and 1993 respectively. He obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002. Mr. Lum has over 30 years of experience in financial field, the money market and capital market. Mr. Lum has been the independent non-executive director of Great China Properties Holdings Limited (formerly known as Waytung Global Group Limited and Beauforte Investors Corporation Limited) (Stock code: 0021), a company listed on the Stock Exchange, since August 2007; independent non-executive director of i-Control Holdings Limited (Stock code: 1402), a company listed on the Stock Exchange, since May 2015; independent non-executive director of Kwan On Holdings Limited (Stock code: 1559), a company listed on the Stock Exchange, since August 2016; independent non-executive director of Anxian Yuan China Holdings Limited (Stock code: 0922), a company listed on the Stock Exchange, since May 2017; independent non-executive director of S. Culture International Holdings Limited (Stock code: 1255), a company listed on the Stock Exchange, since June 2017; and has been a non-executive director of Sunway International Holdings Limited (stock code: 0058), a company listed on the Stock Exchange, since May 2019. Mr. Lum was an independent non-executive director of Yuhua Energy Holdings Limited (Stock code: 2728), a company listed on the Stock Exchange, from December 2014 to April 2019; independent non-executive director of Beautiful China Holdings Company Limited (Stock code: 0706), a company listed on the Stock Exchange, from January 2014 to August 2018; independent non-executive director of Pearl Oriental Oil Limited (Stock code: 0632), a company listed on the Stock Exchange, from December 2017 to June 2018.

Mr. Duan Rihuang ("Mr. Duan"), aged 63, has over 25 years of experience in the managerial field. From1987 to 1991, Mr. Duan held the position of the general manager of 江西聯城旅遊出租有限公司(Jiangxi Liancheng Tourism Rental Company Limited*). During the period from 1992 to 1998, Mr. Duan was the vice chairman and the general manager of 江西百龍實業有限公司(Jiangxi Bailong ShiyeCompany Limited*). From 2005 to 2010, Mr. Duan held the position as general manager of 江西瑞吉通訊技術有限公司(Jiangzi Ruiji Communication Technolgy Compnay Limited*). Currently, Mr. Duan is the vice chairman of 江南閥門有限公司(Jiangnan Valve Company Limited*).

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CHINA ASIA VALLEY GROUP LIMITED
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Asia Valley Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 102, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Investment in associates

Five Color Stone Technology Corporation ("Five Color Stone")

No sufficient evidence has been provided to satisfy ourselves as to (i) the carrying amount of the investment in Five Color Stone with carrying value of HK$Nil and approximately HK$12,211,000 as at 31 December 2020 and 2019 respectively; and whether (ii) the impairment loss on investment in associates of approximately HK$12,211,000 for the year ended 31 December 2020 and (iii) share of loss of HK$Nil of Five Color Stone for the years ended 31 December 2020 and 2019 are properly recognised.

2. Limited accounting books and records of subsidiaries

WI Capital Co., Limited ("WI Capital") and WI Graphene Co., Limited ("WI Graphene")

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of WI Capital and WI Graphene for the years ended 31 December 2020 and 2019, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2020 and 2019 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been properly recorded and accounted for in the consolidated financial statements:

	2020 ***HK$'000***	2019 *HK$'000*
Income and expenses for the years ended 31 December:		
Revenue	**–**	–
Administrative expenses	**(2,227)**	(2,263)
Loss from operations	**(2,227)**	(2,263)
Other comprehensive expenses:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(68)**	(4)
Other comprehensive expenses for the year, net of tax	**(68)**	(4)
Total comprehensive expenses for the year	**(2,295)**	(2,267)

Independent Auditor's Report

	2020	2019
	HK$'000	*HK$'000*
Assets and liabilities as at 31 December:		
Non-current asset		
Property, plant and equipment	**1,508**	1,901
Current assets		
Trade and other receivables	**1,894**	1,808
Cash and cash equivalents	**13**	13
	1,907	1,821
Current liability		
Trade and other payables	**9,107**	7,108
Net current liabilities	**(7,200)**	(5,287)
Net liabilities	**(5,692)**	(3,386)

Any adjustments to the figures as described from points 1 and 2 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2020 and 2019 and the consolidated financial positions of the Group as at 31 December 2020 and 2019, and the related disclosures thereof in the consolidated financial statements.

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 qualified opinion.

Material Uncertainty Related to the Going Concern

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred a loss attributable to owners of the Company of approximately HK$22,961,000 for the year ended 31 December 2020 and as at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately HK$232,799,000. These conditions indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Investment Properties

Refer to Note 20 to the consolidated financial statements

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of HK$392,000,000 as at 31 December 2020 and the fair value gain of HK$2,000,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates. Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation report and discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence;

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

Responsibilities of Directors 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA’s website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor’s report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	7	**17,216**	13,458
Cost of sales		**(1,016)**	(973)
Gross profit		**16,200**	12,485
Other income	8	**1,223**	9,728
Other gains	9	**2,000**	20,832
Impairment loss on investment in associates	21	**(12,211)**	–
Operating and administrative expenses		**(25,276)**	(34,951)
(Loss)/profit from operations		**(18,064)**	8,094
Finance costs	11	**(4,814)**	(8,104)
Loss before taxation		**(22,878)**	(10)
Income tax expenses	12	**(70)**	–
Loss for the year	13	**(22,948)**	(10)
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2**	(4)
Other comprehensive income/(expenses) for the year, net of tax		**2**	(4)
Total comprehensive expenses for the year		**(22,946)**	(14)
Loss for the year attributable to:			
Owners of the Company		**(22,961)**	(10)
Non-controlling interests		**13**	–
		(22,948)	(10)
Total comprehensive expenses for the year attributable to owners of the Company			
Owners of the Company		**(22,959)**	(14)
Non-controlling interests		**13**	–
		(22,946)	(14)
Loss per share	17		
Basic (HK cent(s) per share)		**(0.81)**	(0.00)
Diluted (HK cent(s) per share)		**(0.81)**	(0.00)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment	18	**2,364**	3,087
Right-of-use assets	19	**2,304**	2,733
Investment properties	20	**392,000**	390,000
Investment in associates	21	**–**	12,211
Pledged bank deposits	24	**11,082**	10,275
		407,750	418,306
Current assets			
Inventories	22	**474**	532
Trade and other receivables	23	**6,622**	6,602
Cash and cash equivalents	24	**2,732**	1,710
		9,828	8,844
Current liabilities			
Trade and other payables	25	**81,282**	27,540
Current tax liabilities		**74**	–
Lease liabilities	27	**1,271**	2,768
Bank borrowings	26	**160,000**	200,000
		242,627	230,308
Net current liabilities		**(232,799)**	(221,464)
Total assets less current liabilities		**174,951**	196,842
Non-current liabilities			
Lease liabilities	27	**1,055**	–
NET ASSETS		**173,896**	196,842
Capital and reserves			
Share capital	29	**140,955**	140,955
Reserves	31	**32,928**	55,887
Equity attributable to owners of the Company		**173,883**	196,842
Non-controlling interests		**13**	–
TOTAL EQUITY		**173,896**	196,842

The consolidated financial statements on pages 44 to 102 are approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

Huang Binghuang	**Xia Ping**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Capital redemption reserve**	**Foreign currency translation reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	140,955	26,770	121	(5,429)	34,439	196,856	–	196,856
Total comprehensive expenses for the year	–	–	–	(4)	(10)	(14)	–	(14)
At 31 December 2019	140,955	26,770	121	(5,433)	34,429	196,842	–	196,842
At 1 January 2020	**140,955**	**26,770**	**121**	**(5,433)**	**34,429**	**196,842**	**–**	**196,842**
Total comprehensive expenses/(income) for the year	**–**	**–**	**–**	**2**	**(22,961)**	**(22,959)**	**13**	**(22,946)**
At 31 December 2020	**140,955**	**26,770**	**121**	**(5,431)**	**11,468**	**173,883**	**13**	**173,896**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 *HK$'000*	2019 *HK$'000*
Cash flows from operating activities		
Loss before taxation	**(22,878)**	(10)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	**2,538**	3,875
Net gain of lease	**(35)**	–
Fair value gain on investment properties	**(2,000)**	(20,800)
Interest income	**(66)**	(43)
Finance costs	**4,814**	8,104
Fair value changes in investments at fair value through profit and loss	**–**	(32)
Impairment loss on/(reversal of allowance for) trade receivables	**182**	(27)
(Reversal of allowance for)/allowance for inventories	**(39)**	60
Impairment loss on investment in associates	**12,211**	–
Loss on disposals of investment property	**–**	550
Gain on disposals of subsidiary	**–**	(9,112)
Gain on disposals of property, plant and equipment	**–**	(69)
Operating cash flows before working capital changes	**(5,273)**	(17,504)
Change in inventories	**97**	(65)
Change in trade and other receivables	**(202)**	(451)
Change in trade and other payables	**7,682**	6,015
Net cash generated from/(used in) operating activities	**2,304**	(12,005)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(397)**	(643)
Proceeds from disposals of property, plant and equipment	**–**	311
Proceeds from disposal of subsidiaries	**–**	9,700
Change in pledged bank deposits	**(807)**	(3,907)
Proceeds from disposals of securities	**–**	679
Purchases of investment property	**–**	(9,400)
Proceeds from disposals of investment property	**–**	10,350
Interest received	**66**	43
Net cash (used in)/generated from investing activities	**(1,138)**	7,133

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Cash flows from financing activities		
Other borrowings raised	**–**	7,489
Advance from the ultimate holding company	**40,000**	–
Advance from the immediate holding company	**3,000**	–
Advance from a shareholder	**3,000**	12,000
Repayment of bank borrowings	**(40,000)**	(7,505)
Repayment of lease liabilities	**(1,394)**	(2,815)
Interest paid	**(4,740)**	(7,988)
Net cash (used in)/generated from financing activities	**(134)**	1,181
Net increase/(decrease) in cash and cash equivalents	**1,032**	(3,691)
Effect of foreign exchange rate changes	**(10)**	42
Cash and cash equivalents at beginning of year	**1,710**	5,359
Cash and cash equivalents at end of year	**2,732**	1,710
Analysis of cash and cash equivalents		
Bank balances and cash	**2,732**	1,710

1. GENERAL INFORMATION

China Asia Valley Group Limited (the "Company") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business in Hong Kong is Room 1237-1240, 12/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of these consolidated financial statements, China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holding Group Limited) (the "China Asia Graphene"), a company incorporated in Hong Kong, is the immediate holding company; and Zhengbo International Corporation, a company incorporated in the British Virgin Islands, is the ultimate holding company, and controlled by Mr. Huang Binghuang (the "Controlling Shareholder").

At the annual general meeting of the shareholders of the Company held on 12 June 2020, a special resolution was passed to change the name of the Company from "China Graphene Group Limited 中國烯谷集團有限公司" to "China Asia Valley Group Limited 中亞烯谷集團有限公司" (the "Change of Company Name"). A Certificate of Incorporation on Change of Name and a Certificate of Secondary Name were issued by the Registrar of the Companies in Bermuda with effect from 1 July 2020 and a Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 25 August 2020 confirming the registration of the new name "China Asia Valley Group Limited 中亞烯谷集團有限公司" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Hong Kong Companies Ordinance (Cap. 622)").

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$22,961,000 for the year ended 31 December 2020, the Group had net current liabilities of approximately HK$232,799,000 as at 31 December 2020. Notwithstanding this fact, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Group's Directors have reviewed the financial position of the Group as at 31 December 2020, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financially viable to continue as a going concern.

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

(a) the Directors will take action to reduce costs; and

(b) the Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the investment properties which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvement	Over the lease terms
Furniture, equipment and motor vehicles	2 to 5 years

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$ 5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Horticultural plants

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the assets carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in consolidated profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in consolidated profit or loss. The fair value gains or losses recognised in consolidated profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in consolidated profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other financial liabilities

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised 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 product or service.

Other revenue

Rental income is recognised on a straight-line basis over the lease terms.

Interest income is recognised using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries registered in Japan are members of the pension scheme operated by the Japan local government. The subsidiaries in Japan are required to contribute certain pre-fixed amounts of contribution, according to the level of income for each employee to the pension scheme to fund the benefits. The only obligation of the Group in respect of the pension scheme is the required contributions under the pension scheme.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Company or of a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company 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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 is remote. Possible obligations, whose existence 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 is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgments in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures taken by the Directors to improve the Groups financial position, immediate liquidity, cash flows, profitability and operations as explained in note 2 to the consolidated financial statements.

b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have adopted the presumption that investment properties measured using the fair value model are recovered through use.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgment and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

c) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, including HKD, Renminbi ("RMB") and Japanese Yen ("JPY"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, pledged bank deposits and cash and cash equivalents. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

– actual or expected significant changes in the operating results of the customer;

– significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Effective interest rate	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020						
Trade and other payables	–	**81,249**	**–**	**–**	**81,249**	**81,249**
Bank borrowings (note)	2.963%	**161,022**	**–**	**–**	**161,022**	**160,000**
		242,271	**–**	**–**	**242,271**	**241,249**
At 31 December 2019						
Trade and other payables	–	27,145	–	–	27,145	27,145
Bank borrowings (note)	3.103%	206,250	1,524	–	207,774	200,000
		233,395	1,524	–	234,919	227,145

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. Taking into account the Group's financial position and breach of the undertaking as stated in bank facilities, the Directors believe all amounts due or owing by the Company to the bank (including principal and interest accrued thereon) shall become immediately due and payable by the Company.

d) Interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and Prime rate arising from the Group's HKD denominated borrowing.

At 31 December 2020, if the interest rates had been 100 basis points lower with all other variables held constant, consolidated loss for the year would have been HK$1,600,000 lower (2019: consolidated loss would have been HK$2,000,000 lower), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss for the year would have been HK$1,600,000 higher (2019: consolidated loss would have been HK$2,000,000 higher), arising mainly as a result of higher interest expense on bank borrowings.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**19,074**	16,695
Financial liabilities:		
Financial liabilities at amortised cost	**241,249**	227,145

f) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values (Continued)

a) *Disclosures of level in fair value hierarchy:*

Description	Fair value measurement using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2020				
Investment Properties				
– Residential units – Hong Kong	**–**	**392,000**	**–**	**392,000**
At 31 December 2019				
Investment Properties				
– Residential units – Hong Kong	–	390,000	–	390,000

b) *Disclosures of valuation techniques and inputs used in fair value measurements at 31 December 2020 and 2019:*

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair Value 2020 HK$'000 Assets	Liabilities	2019 HK$'000 Assets	Liabilities
Residential units located in Hong Kong	Direct comparison approach	Comparable sales transaction				
		Capitalised net rental income	**392,000**	**–**	390,000	–

During the two years, there were no changes in the valuation techniques used.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020 HK$'000	2019 HK$'000
Rental income	7,059	6,874
Provision of property management services	3,847	–
Sales of plants and provision of horticultural services	6,310	6,584
	17,216	13,458

8. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income on bank deposits	66	43
Gain on disposals of property, plant and equipment	–	69
Gain on disposals of subsidiaries	–	9,112
Government grant	453	–
Reversal of allowance for trade receivables	–	27
Others	704	477
	1,223	9,728

9. OTHER GAINS

	2020 HK$'000	2019 HK$'000
Fair value gain on investment properties	2,000	20,800
Fair value gain on investments at fair value through profit or loss	–	32
	2,000	20,832

10. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal report about the components of the Group that are regularly received by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's Directors.

The Group has five operating segments as follows:

Property investment	–	engages in leasing out residential properties
Horticultural services	–	provides horticultural services and sales of plants
Graphene manufacturing and sales	–	manufactures and sells graphene and graphene-related products
Property management and other related services	–	provides building management services
Money lending	–	provides loan financing to corporate entities and individuals

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those used in the preparation of the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, share of losses of associates, unallocated other income, unallocated other gains and losses, finance costs and income tax expense. Segment assets do not include pledged bank deposits, interests in associates and unallocated corporate assets. Segment liabilities do not include bank borrowings, unallocated corporate liabilities, current tax liabilities and deferred tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

10. SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service and geographical location of customers is as follows:

	2020	2019
	HK$'000	*HK$'000*
Disaggregated by major products or services		
– Provision of property management services	**3,847**	–
– Sales of plants and provision of horticultural services	**6,310**	6,584
Revenue from contracts with customers	**10,157**	6,584
– Rental income	**7,059**	6,874
Total revenue	**17,216**	13,458
Disaggregated by geographical location of customers		
– Hong Kong	**6,310**	6,584
– The People's Republic of China (the "PRC") except Hong Kong	**3,847**	–
	10,157	6,584

10. SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Timing of revenue recognition					
	2020			2019		
	At a point in time	**Over time**	**Total**	At a point in time	Over time	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Provision of property management services	**–**	**3,847**	**3,847**	–	–	–
Sales of plants and provision of horticultural services	**351**	**5,959**	**6,310**	1,122	5,462	6,584
Total	**351**	**9,806**	**10,157**	1,122	5,462	6,584

Provision of property management services

Revenue from property management services recognised when the services are rendered.

Sales of plants and provision of horticultural services

The Group sells plants to the customers. Sales are recognised when control of the plants has transferred, being when the plants are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the plants and the customer has obtained legal titles to the plants.

Revenue from horticultural services is recognised when the services are rendered.

Sales of plants and provision of horticultural services to customers are normally made with credit terms of 30 days. A receivable is recognised when the plants are delivered or services are rendered to the customers as this is the point in time or over time that the consideration is unconditional because only the passage of time is required before the payment is due.

10. SEGMENT INFORMATION (CONTINUED)

(b) Information about operating segment profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the chief operation decision maker for the purposes of resource allocation and assessment of segment performance for the year is set out below.

Certain comparative figures on segment information have been reclassified to conform to the current year's presentation. The new classification on segment information was considered to provide a more appropriate presentation.

	Property investment 2020 HK$'000	Horticultural services and sales of plants 2020 HK$'000	Graphene manufacturing and sales 2020 HK$'000	Property management and other related services 2020 HK$'000	Money lending 2020 HK$'000	Total 2020 HK$'000
Year ended 31 December 2020						
Revenue from customers	7,059	6,319	–	3,847	–	17,225
Intersegment revenue	–	(9)	–	–	–	(9)
Revenue from external customers	7,059	6,310	–	3,847	–	17,216
Segment profit/(loss)	229	2,168	(14,451)	1,324	(14)	(10,744)
Depreciation of property, plant and equipment and right-of use assets	1,971	95	469	1	–	2,536
Impairment loss on trade receivables	182	–	–	–	–	182
Additions to segment non-current assets	227	–	–	170	–	397
As at 31 December 2020						
Segment assets	396,448	2,333	3,421	2,792	642	405,636
Segment liabilities	10,606	1,695	9,107	1,392	–	22,800

10. SEGMENT INFORMATION (CONTINUED)

(b) Information about operating segment profit or loss, assets and liabilities (Continued)

	Property investment 2019 *HK$'000*	Horticultural services and sales of plants 2019 *HK$'000*	Graphene manufacturing and sales 2019 *HK$'000*	Property management and other related services 2019 *HK$'000*	Money lending 2019 *HK$'000*	Total 2019 *HK$'000*
Year ended 31 December 2019						
Revenue from customers	6,874	6,587	–	–	–	13,461
Intersegment revenue	–	(3)	–	–	–	(3)
Revenue from external customers	6,874	6,584	–	–	–	13,458
Segment profit/(loss)	8,378	(86)	(2,270)	(3)	19	6,038
Depreciation of property, plant and equipment and right-of use assets	3,353	55	462	–	–	3,870
Additions to segment non-current assets	162	473	–	–	–	635
As at 31 December 2019						
Segment assets	396,051	2,975	3,728	–	583	403,337
Segment liabilities	8,617	1,369	7,108	–	–	17,094

10. SEGMENT INFORMATION (CONTINUED)

(b) Information about operating segment profit or loss, assets and liabilities (Continued)

Reconciliations of segment revenue and profit or loss

	2020 *HK$'000*	2019 *HK$'000*
Revenue		
Total revenue of reportable segments	**17,225**	13,461
Elimination of intersegment revenue	**(9)**	(3)
Consolidated revenue	**17,216**	13,458
Profit or loss		
Total (loss)/profit of reportable segments	**(10,744)**	6,038
Elimination of intersegment profits	**(9)**	(3)
Unallocated amounts:		
– Depreciation of property, plant and equipment	**(2)**	(5)
– Finance costs	**(4,814)**	(8,104)
– Other gains	**590**	9,467
– Unallocated corporate expenses	**(7,899)**	(7,403)
Consolidated loss before tax	**(22,878)**	(10)

Reconciliations of segment assets and liabilities

	2020 *HK$'000*	2019 *HK$'000*
Assets		
Total assets of reportable segments	**405,636**	403,337
Investment in associates	**–**	12,211
Unallocated:		
– Pledged bank deposits	**11,082**	10,275
– Cash and cash equivalents	**328**	294
– Other assets	**532**	1,033
Consolidated total assets	**417,578**	427,150

10. SEGMENT INFORMATION (CONTINUED)

(b) Information about operating segment profit or loss, assets and liabilities (Continued)

Reconciliations of segment assets and liabilities (Continued)

	2020 HK$'000	2019 HK$'000
Liabilities		
Total liabilities of reportable segments	22,800	17,094
Unallocated:		
– Bank borrowings	160,000	200,000
– Other liabilities	60,882	13,214
Consolidated total liabilities	243,682	230,308

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	13,369	13,458	394,991	393,919
Japan	–	–	1,508	1,901
The PRC except Hong Kong	3,847	–	169	–
Consolidated total	17,216	13,458	396,668	395,820

Revenue from major customers contributing 10% or more to the Group's revenue are as follows:

	2020 HK$'000	2019 HK$'000
Rental income		
– Customer A	4,080	1,968

11. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest on bank borrowings	**4,740**	6,042
Interest on other borrowing	**–**	1,946
Lease interest	**74**	116
	4,814	8,104

12. INCOME TAX EXPENSES

	2020 *HK$'000*	2019 *HK$'000*
Current tax – Overseas		
Provision for the year	**70**	–

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2020 and 2019 as the Group sustained a loss for taxation purposes during the years.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. INCOME TAX EXPENSES (CONTINUED)

The reconciliation between the income tax expenses and the product of loss before tax multiplied by the Hong Kong Profits Tax is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(22,878)**	(10)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**(3,775)**	(2)
Tax effect of expenses that are not deductible	**4,600**	3,142
Tax effect of income that is not taxable	**(974)**	(4,964)
Tax effect of unused tax losses not recognised	**428**	2,345
Tax effect of utilisation of tax losses not previously recognised	**(53)**	(50)
Tax effect of temporary differences not recognised	**(270)**	(471)
Tax effect of different tax rates of subsidiaries	**114**	–
	70	–

13. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment and right-of-use assets	**2,538**	3,875
Fair value gain on investment properties	**(2,000)**	(20,800)
Loss on disposals of investment properties	**–**	550
Expenses related to short-term leases	**170**	185
Auditor's remuneration		
– Current	**880**	830
– Under-provision in prior year	**–**	130
Cost of inventories sold	**1,016**	973
(Reversal of allowance for)/allowance for inventories (included in cost of sales)	**(39)**	60
Impairment loss on/(reversal of allowance for) trade receivables	**182**	(27)

14. EMPLOYEE BENEFITS EXPENSE

	2020 **HK$'000**	2019 HK$'000
Staff costs including directors' remunerations:		
Salaries, bonuses and allowances	**11,193**	16,067
Retirement benefit scheme contributions	**254**	123
	11,447	16,190

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2019: three) director whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2019: two) individuals are set out below:

	2020 **HK$'000**	2019 HK$'000
Basic salaries and allowances	**5,178**	3,769
Retirement benefit scheme contributions	**36**	24
	5,214	3,793

None of these individuals received any emolument from the Group as an inducement to join in the Group or compensation for loss of office, nor waived or has agreed to waive any emoluments during the years ended 31 December 2020.

The emoluments fell within the following band:

	2020	2019
HK$Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Name of Director					
Executive directors:					
Huang Binghuang (i)	–	240	–	–	240
Xia Ping (ii)	–	240	–	–	240
Zhou Chen (iii)	–	441	–	18	459
Zhao Juqun, Vice Chairman (iv)	–	275	–	–	275
	–	1,196	–	18	1,214
Non-executive director:					
Wang Lijiao (v)	–	120	–	–	120
Independent non-executive directors:					
Wong Yun Kuen (vi)	199	–	–	–	199
Gao Han (vii)	108	–	–	–	108
Chow Chi Ping, David (viii)	135	–	–	–	135
Lum Pak Sum (ix)	240	–	–	–	240
Duan Rihuang (x)	120	–	–	–	120
	802	120	–	–	922
Total for 2020	802	1,316	–	18	2,136

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of Director					
Executive directors:					
Zhou Chen (iii)	–	3,000	–	18	3,018
Chen Meng (xi)	–	1,935	–	12	1,947
	–	4,935	–	30	4,965
Non-executive director:					
Li Feng Mao, Chairman (xii)	–	2,394	–	12	2,406
Independent non-executive directors:					
Gao Han (vii)	201	–	–	–	201
Chow Chi Ping, David (viii)	251	–	–	–	251
Lum Pak Sum (ix)	60	–	–	–	60
Wang Song Ling (xiii)	232	–	–	–	232
	744	2,394	–	12	3,150
Total for 2019	744	7,329	–	42	8,115

None of the Directors waived any remuneration during the year ended 31 December 2020 (2019: Nil).

During the year ended 31 December 2020, there was no emoluments have been paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes (i) Mr. Huang Binghuang was appointed on 30 September 2019.

(ii) Ms. Xia Ping was appointed on 30 September 2019.

(iii) Mr. Zhou Chen retired on 12 June 2020.

(iv) Mr. Zhao Juqun was appointed on 12 June 2020.

(v) Ms. Wang Lijiao was appointed on 30 September 2019.

(vi) Dr. Wong Yun Kuen was appointed on 12 June 2020 and resigned on 30 December 2020.

(vii) Mr. Gao Han retired on 12 June 2020.

(viii) Mr. Chow Chi Ping, David retired on 12 June 2020.

(ix) Mr. Lum Pak Sum was appointed on 30 September 2019.

(x) Mr. Duan Rihuang was appointed on 12 June 2020.

(xi) Mr. Chen Meng resigned on 23 August 2019.

(xii) Mr. Li Feng Mao resigned on 23 August 2019.

(xiii) Mr. Wang Song Ling resigned on 23 August 2019.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DIVIDENDS

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

17. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	**(22,961)**	(10)

	2020	2019
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**2,819,102**	2,819,102

The basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Building held for own use carried at fair value HK$'000	Furniture and equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2019	600	85	2,249	3,250	2,818	9,002
Additions	–	–	160	9	474	643
Disposals	–	–	–	–	(1,071)	(1,071)
Disposal of subsidiary	(600)	(85)	–	–	–	(685)
Exchange differences	–	–	1	9	4	14
At 31 December 2019 and 1 January 2020	**–**	**–**	**2,410**	**3,268**	**2,225**	**7,903**
Additions	**–**	**–**	**302**	**95**	**–**	**397**
Exchange differences	**–**	**–**	**14**	**75**	**47**	**136**
At 31 December 2020	**–**	**–**	**2,726**	**3,438**	**2,272**	**8,436**
Accumulated depreciation						
At 1 January 2019	279	–	1,251	1,484	1,770	4,784
Charge for the year	4	–	465	157	516	1,142
Disposals	–	–	–	–	(829)	(829)
Disposal of subsidiary	(283)	–	–	–	–	(283)
Exchange differences	–	–	–	–	2	2
At 31 December 2019 and 1 January 2020	**–**	**–**	**1,716**	**1,641**	**1,459**	**4,816**
Charge for the year	**–**	**–**	**513**	**186**	**497**	**1,196**
Exchange differences	**–**	**–**	**9**	**19**	**32**	**60**
At 31 December 2020	**–**	**–**	**2,238**	**1,846**	**1,988**	**6,072**
Carrying amount						
At 31 December 2020	**–**	**–**	**488**	**1,592**	**284**	**2,364**
At 31 December 2019	**–**	**–**	**694**	**1,627**	**766**	**3,087**

19. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020 HK$'000	2019 HK$'000
At 31 December:		
Right-of-use assets		
– Land and buildings	**2,304**	2,733
Lease commitments of short-term leases	**–**	20
The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	**1,110**	2,815
– Between 1 and 2 years	**1,110**	–
– Between 2 and 5 years	**185**	–
	2,405	2,815

	2020 HK$'000	2019 HK$'000
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	**1,342**	2,733
Lease interests	**74**	116
Expenses related to short-term leases	**170**	185
Income from subleasing right-of-use assets	**–**	60
Total cash outflow for leases	**2,575**	3,000

The Group leases various offices. Lease agreements are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

20. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At 1 January	**390,000**	369,200
Fair value gains	**2,000**	20,800
At 31 December	**392,000**	390,000

Investment properties were revalued as at 31 December 2020 on the direct comparison approach by reference to market evidence of recent transactions for similar properties by Jones Lang LaSalle Limited, an independent firm of chartered surveyors.

At 31 December 2020, the carrying amount of investment properties pledged as security for the Group's bank borrowings amounted to HK$392,000,000 (2019: HK$390,000,000).

21. INVESTMENT IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Unlisted investments:		
Share of net assets	**12,211**	12,211
Impairment loss	**(12,211)**	–
Carrying amount at year end	**–**	12,211

Details of the Group's associates at 31 December 2020 are as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Five Color Stone Technology Corporation	The Cayman Islands	30,000,000 ordinary shares of US$0.195 each	28%	–	Investment holding
台灣烯谷應材股份有限公司	Taiwan	Registered capital of TWD1,000,000	–	28%	Investment holding
Taiwan Mutron Applied Materials Limited	Taiwan	Registered capital of TWD1,000,000	–	22.4%	Manufacturing and sale of graphene and graphene-related products

22. INVENTORIES

	2020 HK$'000	2019 HK$'000
Horticultural plants	**474**	532

23. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**2,759**	1,672
Allowance for doubtful debts	**(182)**	–
	2,577	1,672
Other prepayments	**899**	1,450
Rental and other deposits	**1,864**	2,278
Other tax receivables	**463**	442
Other receivables	**819**	760
	6,622	6,602
Analysed as:		
Current assets	**6,622**	6,602

The credit term is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2020 HK$'000	2019 HK$'000
0 to 90 days	2,576	1,671
91 to 180 days	1	1
	2,577	1,672

As at 31 December 2020, an allowance was made for estimated irrecoverable trade receivables of approximately HK$182,000 (2019: Nil).

Reconciliation of allowance for trade receivables:

	2020 HK$'000	2019 HK$'000
At 1 January	–	27
Impairment during the year	182	–
Reversal for the year	–	(27)
At 31 December	182	–

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Up to 3 months past due	Total
At 31 December 2020			
Weighted average expected loss rate	–	14%	
Receivable amount (HK$'000)	1,413	1,346	2,759
Loss allowance (HK$'000)	–	(182)	(182)
At 31 December 2019			
Weighted average expected loss rate	–	–	
Receivable amount (HK$'000)	376	1,296	1,672
Loss allowance (HK$'000)	–	–	–

24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	*HK$'000*
Cash at bank and on hand	**13,814**	11,985
Less: Pledged bank deposits	**(11,082)**	(10,275)
Cash and cash equivalents	**2,732**	1,710

The Group's pledged bank deposits represented deposits pledged to bank to secure bank borrowings granted to the Group as set out in note 26 to the consolidated financial statements.

25. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**101**	63
Other payables and accrued charges	**23,148**	15,082
Amount due to the immediate holding company	**15,000**	12,000
Amount due to the ultimate holding company	**40,000**	–
Amount due to a shareholder	**3,000**	–
Other tax payables	**–**	128
Contract liabilities	**33**	267
	81,282	27,540

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**101**	63

The amount due to immediate holding company, ultimate holding company and a shareholder is unsecured, interest-free and repayable on demand.

26. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Bank loans	**160,000**	200,000

The bank borrowings are classified as current liabilities as they contain a repayment on demand clause. According to the repayment schedule, the bank borrowings are repayable as follow:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year	**160,000**	200,000

The carrying amounts of the Group's bank borrowings are denominated in HKD.

The interest rate of the Group's bank borrowings as at 31 December 2020 was 2% per annum over one-month HIBOR or 0.5% per annum below HKD prime rate, whichever is lower (2019: 2% per annum over one-month HIBOR or 2% per annum below HKD prime rate, whichever is lower).

The bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans of HK$160,000,000 (2019: HK$200,000,000) are secured by (i) the investment properties of HK$392,000,000 as disclosed in note 20 to the consolidated financial statements (2019: HK$390,000,000), (ii) a charge over deposits for the total principal amount of not less than HK$4,000,000 together with interest accrued thereon, (iii) bank deposits of not less than HK$6,000,000, (iv) assignment of rental income from properties to a designated bank account which is charged to the bank, and (v) maintain an occupancy rate of 60% or above (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three (3) months).

27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,110**	2,815	**1,271**	2,768
In the second to fifth years, inclusive	**1,295**	-	**1,055**	–
	2,405	2,815	**2,326**	2,768
Less: Future finance charges	**(79)**	(47)	**–**	–
Present value of lease liabilities	**2,326**	2,768	**2,326**	2,768
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,271)**	(2,768)
Amount due for settlement after 12 months			**1,055**	–

At 31 December 2020, the average effective borrowing rate was 3.000% (2019: 3.125%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

28. DEFERRED TAXATION

At 31 December 2020, the Group has unused tax losses of approximately HK$285,124,000 (2019: approximately HK$283,541,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of approximately HK$251,222,000 (2019: approximately HK$249,639,000) that are available for offsetting against future profits do not expire under current tax legislation. The tax loss of approximately HK$33,902,000 (2019: approximately HK$33,902,000) attributable to the Japan are available for offsetting against future profits that may be carried forward for nine years from the respective years of origination for Japan income tax purpose. All tax losses are subjected to be agreed by tax authorities.

29. SHARE CAPITAL

	2020 *HK$'000*	2019 *HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.05 each	**1,000,000**	1,000,000
Issued and fully paid:		
2,819,102,084 ordinary shares of HK$0.05 each	**140,955**	140,955

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank borrowings. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

The Group's long-term policy, which was unchanged from 2019, is that net debt should be in the range of 45% to 96% of adjusted capital. This policy aims to ensure that the Group secures access to finance at a reasonable cost and lowers its net of tax weighted average cost of capital. The debt-to-adjusted capital ratios at 31 December 2020 and at 31 December 2019 were as follows:

	2020 *HK$'000*	2019 *HK$'000*
Total debt	**160,000**	200,000
Less: pledged bank deposits	**(11,082)**	(10,275)
Less: cash and cash equivalents	**(2,732)**	(1,710)
Net debt	**146,186**	188,015
Total equity	**173,896**	196,842
Debt-to-adjusted capital ratio	**84%**	96%

29. SHARE CAPITAL (CONTINUED)

The externally imposed capital requirements for the Group are:

(i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2020, 25.07% (2019: 25.07%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	6	8
Interests in subsidiaries	7,813	7,813
Pledged bank deposits	11,082	10,275
	18,901	18,096
Current assets		
Prepayments, deposits and other receivables	257	728
Due from subsidiaries	6,581	6,683
Cash and cash equivalents	43	44
	6,881	7,455
Current liabilities		
Trade and other payables	2,762	1,149
Amount due to subsidiaries	16,727	11,670
Amount due to immediate company	58,000	12,000
Amount due to director	–	65
Bank borrowings	160,000	200,000
	237,489	224,884
Net current liabilities	(230,608)	(217,429)
NET LIABILITIES	(211,707)	(199,333)
Capital and reserves		
Share capital	140,955	140,955
Reserves	(352,662)	(340,288)
TOTAL EQUITY	(211,707)	(199,333)

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company:

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2019	26,770	121	234,897	(588,869)	(327,081)
Total comprehensive expenses for the year	–	–	–	(13,207)	(13,207)
At 31 December 2019 and 1 January 2020	26,770	121	234,897	(602,076)	(340,288)
Total comprehensive expenses for the year	–	–	–	(12,374)	(12,374)
At 31 December 2020	26,770	121	234,897	(614,450)	(352,662)

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

31. RESERVES (CONTINUED)

(b) Nature and purpose of reserves

(i) Share premium reserve

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. The application of the share premium account is governed by the Company Act 1981 of Bermuda.

(ii) Capital redemption reserve

The application of the capital redemption reserve is governed by the Company Act 1981 of Bermuda.

(iii) Contributed surplus

The contributed surplus of the Company represents the difference between the nominal value of the shares issued by the Company and the aggregate of the share capital and the share premium accounts of the subsidiaries acquired. Under the Company Act 1981 of Bermuda, the Company may make distributions to its members out of contributed surplus in certain circumstances.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes to the consolidated financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Due to a shareholder	Due to the ultimate holding company	Due to the immediate holding company	Lease liabilities	Other borrowings	Bank borrowings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	–	–	–	–	–	200,000	200,000
Changes in cash flows	–	–	12,000	(2,815)	(1,962)	(6,042)	1,181
Non-cash changes							
– Interest expenses	–	–	–	116	1,946	6,042	8,104
– Initial recognition on lease liabilities	–	–	–	5,467	–	–	5,467
– Exchange differences	–	–	–	–	16	–	16
At 31 December 2019 and 1 January 2020	–	–	12,000	2,768	–	200,000	214,768
Changes in cash flows	3,000	40,000	3,000	(1,394)	–	(44,740)	(134)
Non-cash changes							
– Interest expenses	–	–	–	74	–	4,740	4,814
– Initial recognition on lease liabilities	–	–	–	878	–	–	878
At 31 December 2020	3,000	40,000	15,000	2,326	–	160,000	220,326

33. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2020	2019
	HK$'000	*HK$'000*
Property, plant and equipment	**16,217**	15,481

34. LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year was approximately HK$7,059,000 (2019: approximately HK$6,847,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2% (2019: 2%) on an ongoing basis.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases and were receivable as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Within one year	**4,533**	5,907
In the second to fifth year inclusive	**7,971**	14,221
	12,504	20,128

35. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2020 ***HK$'000***	2019 *HK$'000*
Rental income from directors	**110**	253

36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2020 were as follows:

Name	Place of incorporation and operation	Particulars of issued and paid-up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
China Graphene Holdings Limited	British Virgin Islands	100 Ordinary share of US$1 each	100%	–	Investment holding
Cheung Kee Garden Limited	Hong Kong	100 ordinary share 450,000 non-voting deferred shares	–	100%	Provision of horticultural services
Sui Chong Finance Limited	Hong Kong	2 ordinary share	–	100%	Provision of financing and management services, money lending and trading of securities
Sui Chong International Resources Limited	Hong Kong	1,000 ordinary shares	–	100%	Provision of property, management and project management services
Super Homes Limited	Hong Kong	100 ordinary share 100 non-voting deferred shares	–	100%	Investment properties holding
WI Capital Co., Limited	Japan	JPY800,000,000	–	100%	Investment holding
WI Graphene Co., Limited	Japan	JPY384,000,000	–	100%	Manufacturing and sale of graphene and graphene-related products
China Asia Valley Property Management (Shenzhen) Co., Limited ("CAV Shenzhen") #	The PRC*	RMB1,000,000	–	99%	Provision of property management services

* a limited liability enterprise

The company name in English is not the official name but a translation for reference only.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 26 March 2021.

Group Properties

Particulars of the Group's major properties held for sale as at 31 December 2020 are as follows:

Location	Existing Use	Gross floor area sq. m.	Percentage interest attributable to the Group
30 units of THE ICON, 38 Conduit Road, Mid-levels, Hong Kong	Residential	1,953	100%

Summary Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in the note below:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**17,216**	13,458	16,529	14,572	5,442
(Loss)/profit before tax	**(22,878)**	(10)	(88,805)	51,898	(43,947)
Income tax expenses	**(70)**	–	(17)	–	–
(Loss)/profit for the year	**(22,948)**	(10)	(88,822)	51,898	(43,947)
Attributable to owners of the Company	**(22,961)**	(10)	(88,822)	51,898	(43,947)

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets	**407,750**	418,306	393,497	428,852	14,750
Current assets	**9,828**	8,844	12,860	66,087	354,001
Current liabilities	**(242,627)**	(230,308)	(209,501)	(210,673)	(137,198)
Non-current liabilities	**(1,055)**	–	–	–	–
Net assets	**173,896**	196,842	196,856	284,266	231,553
Total equity	**173,896**	196,842	196,856	284,266	231,553

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