GRAPHEX

Graphex Group Limited
烯石電動汽車新材料控股有限公司

(Formerly known as Earthasia International Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6128

2020 Annual Report

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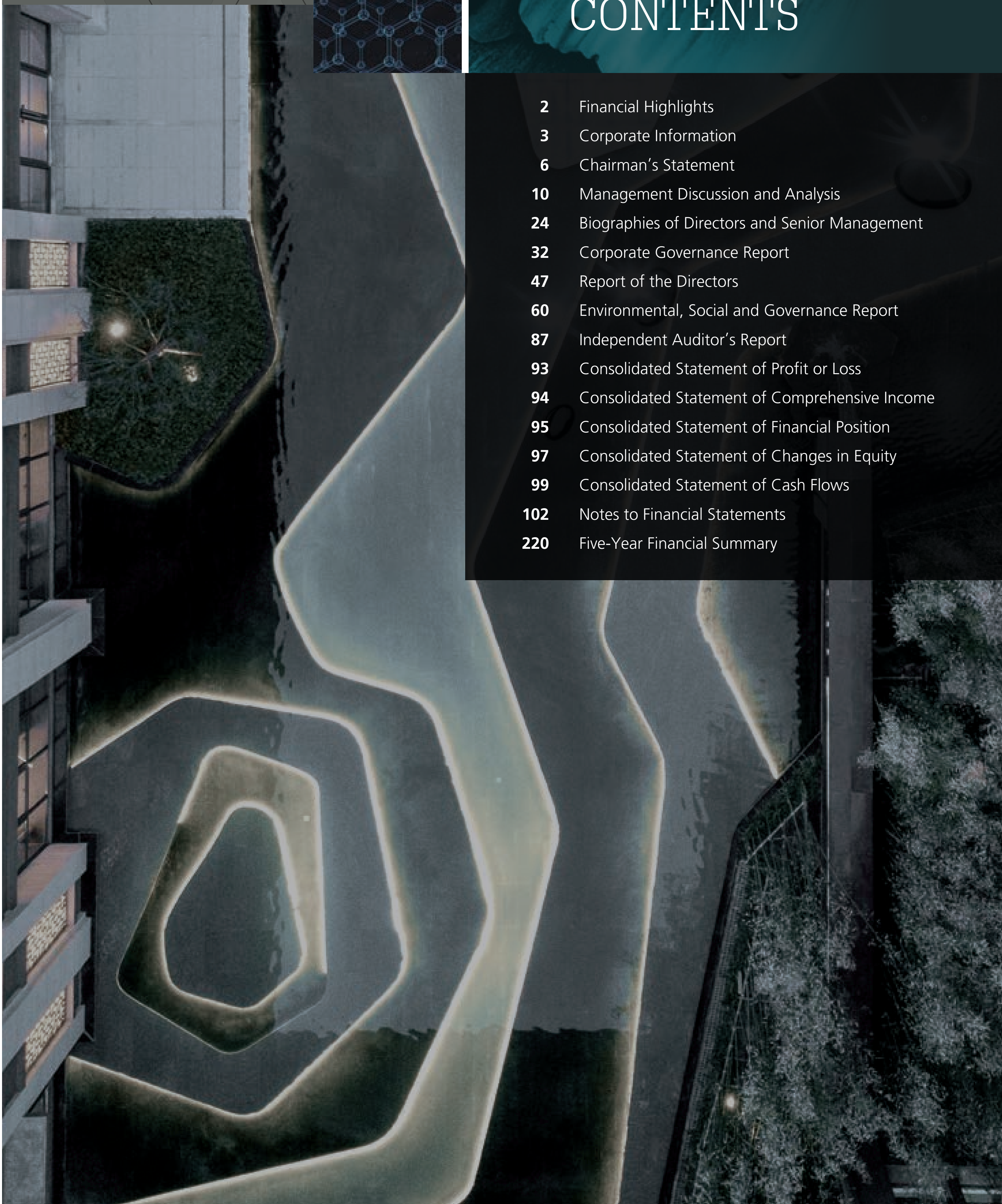


FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Results	For the year ended 31 December		
	2020	2019	Change
	HK$'000	HK$'000	
Revenue	**388,852**	313,941	+23.9%
Graphene	**215,462**	123,474	+74.5%
Landscape architecture	**149,160**	154,114	-3.2%
Catering	**24,230**	36,353	-33.3%
Adjusted EBITDA*	**85,021**	54,458	+56.1%
Graphene	**49,743**	28,407	+75.1%
Landscape architecture	**20,242**	21,316	-5.0%
Catering	**15,036**	4,735	+217.6%
Loss before tax	**(102,897)**	(64,802)	+58.8%
Loss attributable to owners of the parent	**(91,696)**	(57,082)	+60.6%
	HK cents	HK cents	
Basic loss per share attributable to ordinary equity holders of the parent	**(19.4)**	(12.9)	+50.4%

Results	At 31 December		
	2020	2019	Change
	HK$'000	HK$'000	
Total assets	**1,104,239**	1,151,531	-4.1%
Net assets	**168,530**	221,147	-23.8%
Shareholder's equity	**171,517**	220,691	-22.3%
Cash and bank balances	**37,709**	53,882	-30.0%
Debt	**546,649**	517,041	+5.7%

* Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("IFRSs"), adjusted EBITDA is used as an additional financial measure throughout this annual report. The financial measure is presented because it is used by management to evaluate operating performance. The Company believes that non-IFRS measure may provide useful information to help investors and others understand and evaluate the Company's consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies. However, non-IFRS financial measure does not have a standardised meaning prescribed by IFRSs and therefore may not be comparable to similar measures presented by other companies.

Adjusted EBITDA used herein is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment losses of other intangible assets and property, plant and equipment, share of losses of associates and joint ventures and impairment losses on financial and contract assets and corporate expenses.

Please refer to note 4 to the consolidated financial statements in this annual report for reconciliation of loss before tax, an IFRS measure, to adjusted EBITDA.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Hing Tat Patrick
Mr. Chan Yick Yan Andross
Mr. Tian Ming
Mr. Yang Liu
Mr. Qiu Bin

Non-executive Directors

Mr. Ma Lida
Mr. Tu Wenzhe

Independent non-executive Directors

Ms. Tam Ip Fong Sin
Mr. Wang Yuncai
Mr. Liu Kwong Sang
Mr. Tang Zhaodong
Mr. Chan Anthony Kaikwong

COMPANY SECRETARY

Mr. Kwok Ka Hei

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

AUDIT COMMITTEE

Mr. Liu Kwong Sang *(Chairman)*
Ms. Tam Ip Fong Sin
Mr. Wang Yuncai
Mr. Ma Lida

REMUNERATION COMMITTEE

Ms. Tam Ip Fong Sin *(Chairlady)*
Mr. Wang Yuncai
Mr. Chan Yick Yan Andross

NOMINATION COMMITTEE

Mr. Lau Hing Tat Patrick *(Chairman)*
Mr. Wang Yuncai
Ms. Tam Ip Fong Sin

CORPORATE WEBSITE

www.graphexgroup.com

AUTHORISED REPRESENTATIVES

Mr. Kwok Ka Hei
Mr. Chan Yick Yan Andross

ALTERNATES TO AUTHORISED REPRESENTATIVES

Mr. Tian Ming
Mr. Lau Hing Tat Patrick

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of Communication
Industrial Bank Co., Ltd.
The Bank of East Asia
The Hongkong and Shanghai Banking

PRINCIPAL SHARE REGISTRAR OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

ADR (LEVEL 1) PROGRAMME DEPOSITARY

Bank of New York Mellon
(Ticker on OTCQX market : ETIHY)

INVESTOR RELATIONS

Email: investrel@graphexgroup.com

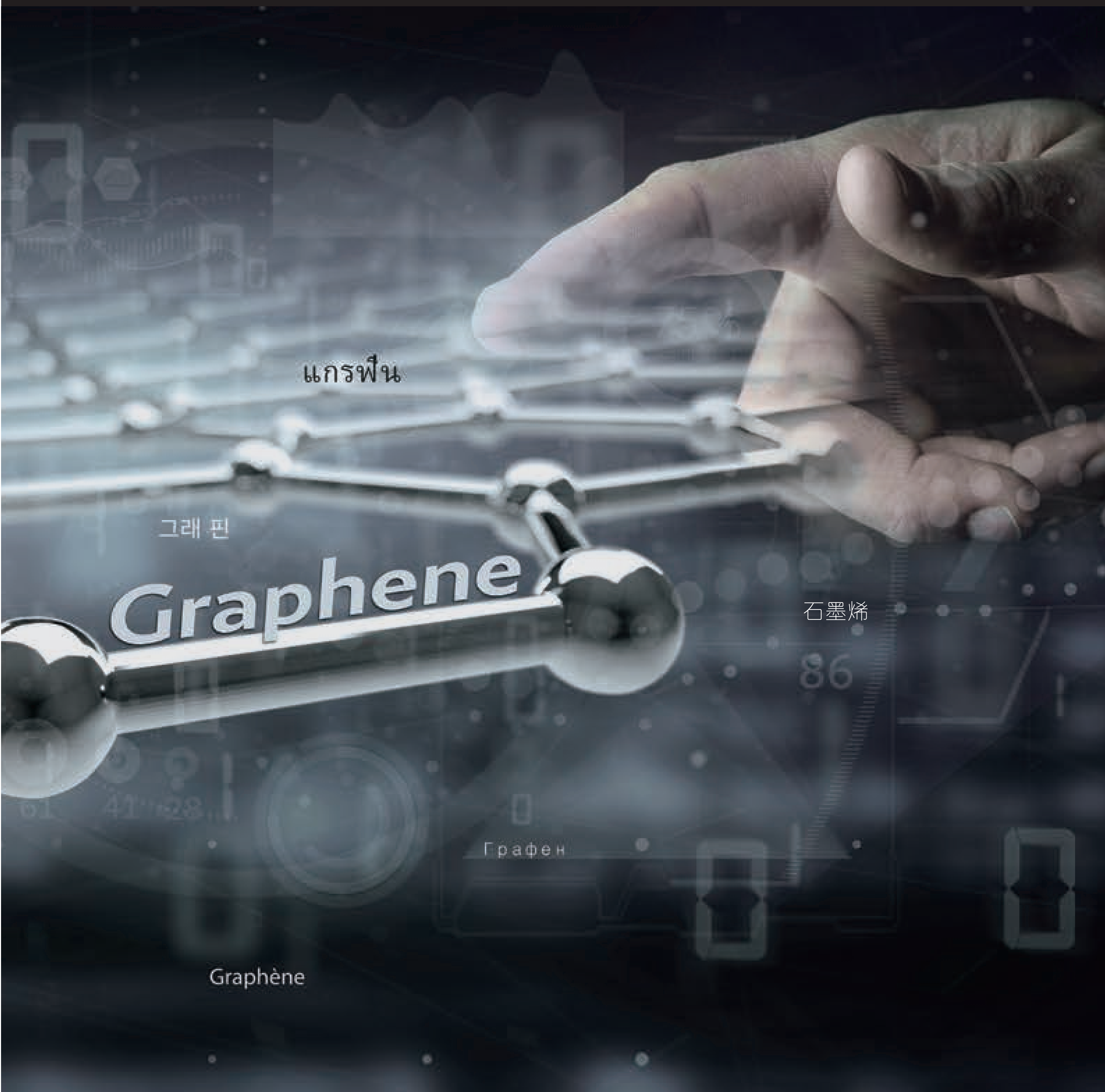
LEGAL ADVISER AS TO HONG KONG

Hastings & Co.

AUDITOR

Crowe (HK) CPA Limited

CHAIRMAN'S STATEMENT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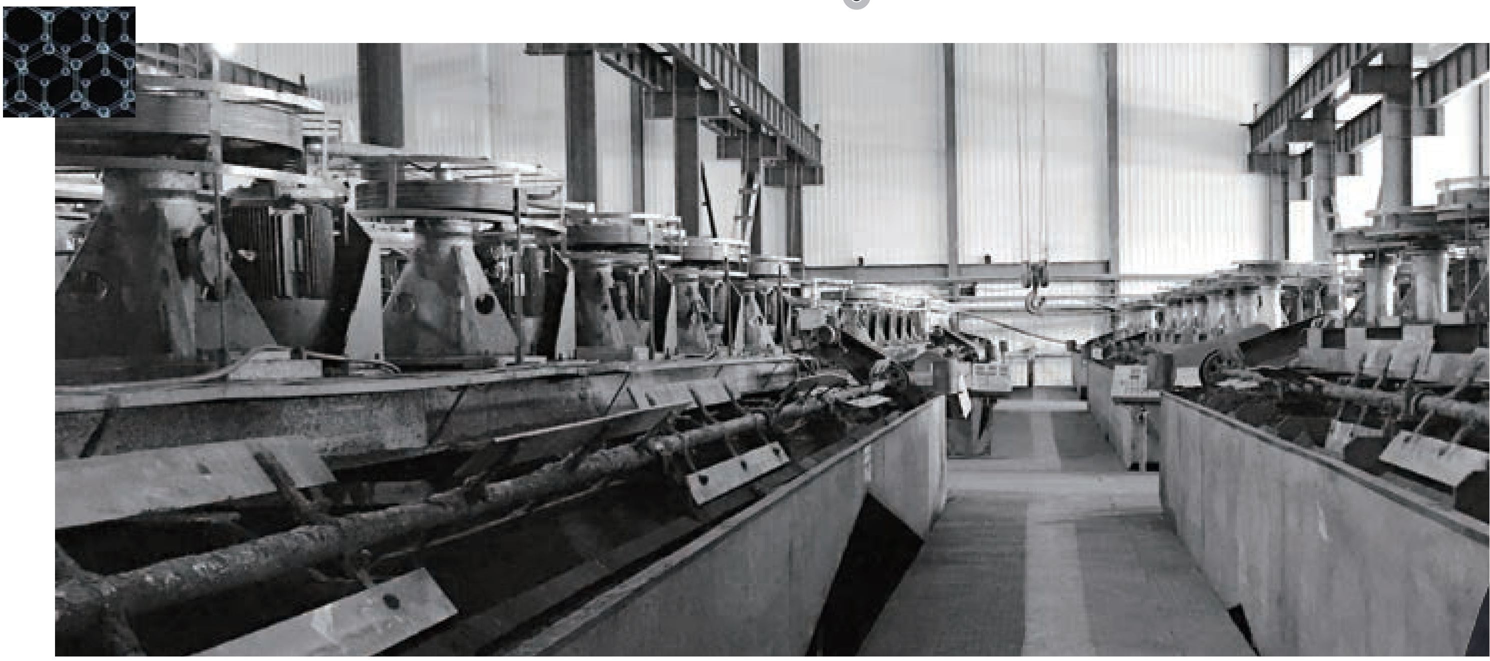
CHAIRMAN'S STATEMENT



Dear Shareholders:

On behalf of the Board of Graphex Group Limited (formerly known as "Earthasia International Holdings Limited") and its subsidiaries, it is my pleasure to present the annual report of the Group.

From a positive outlook at the beginning of the year, Covid-19 emerged as an unprecedented challenge for the world. We moved quickly to adapt our business and protect and support our people and communities. This involved a range of measures across our subsidiaries depending on the incidence of Covid-19 and the regulations and expectations of governments, employees and the communities that host our operations.

Against this backdrop, our management team took tactical and decisive strategic action. We exited most of our catering segment's restaurants and fully closed its operations in Italy. We transitioned much of our office-based landscape architecture staff to home-based working and supported them with enhanced information technology. Despite having to temporarily halt production at our graphene segment manufacturing facility in Heilongjiang Province from January 2020 through March 2020, we were able to swiftly ramp up operations and return to full production capacity by May 2020.

In spite of the challenges presented in 2020, we ensured that our strategic priorities were progressed and continued to focus the Group towards opportunities within the renewable energy sector. With sales growing 74.5% year-on-year to HK$215.5 million, our Graphene segment now represents 55.4% of the Group's total revenue. Adjusted EBITDA for the Graphene segment was up 75.1% year-on-year to HK$49.7 million, a 23.1% margin which represents 58.5% of the Group's total adjusted EBITDA. Our Graphene segment principally manufactures spherical graphite, which is a key component for lithium-ion battery cells, used in electric vehicles and as an energy storage solution for wind and solar farms.

We have also begun to pivot our landscape architecture segment towards the renewable energy sector. The segment is in discussion with government departments in China to establish rechargeable parks. Rechargeable parks provide electric vehicle, electric bike and mobile device charging in connection with stunning architecturally crafted urban parkland. The concept is aimed at boosting urban activity, by making cities more attractive for electric vehicles whilst improving social interaction and providing the health benefits of small parks and green spaces. Despite headwinds from the Covid-19 pandemic, the landscape architecture segment only saw a slight 3.2% decline in revenues to HK$149.2 million, with a 13.6% adjusted EBITDA margin of HK$20.2 million.

With world leaders harmonising support for renewable energy and electric vehicles, we believe the Graphene segment will be the key contributor to future growth of the Group. In the United States, the new administration in Washington has re-joined the Paris Climate Agreement and committed to a 10-year US$400 billion investment in clean energy and innovation. The administration further plans to sponsor 500,000 new public charging outlets by the end of 2030 and intends to replace up to 650,000 cars in the federal fleet with electric vehicles. Globally, government bans on new car

sales of internal combustion engine cars, to the benefit of electric vehicles, will begin in 2030 for the United States, United Kingdom, Sweden, and India, followed by Japan in 2035 and France in 2040. China, which currently produces more than twice the electrical power from renewables than second largest United States, has mandated that electric vehicles will represent more than 40% of its car sales by 2030.

With each electric vehicle requiring approximately 70kg of spherical graphite for its lithium-ion battery, we believe there are powerful economic drivers supporting our Graphene segment.

In 2021, the Group will continue to invest in the Graphene segment, by enhancing technology, increasing production capacity and seeking downstream acquisitions. To maintain a lead in technology, we are researching silicon-carbon composite anodes which use a combination of silicon and spherical graphite to enhance lithium-ion battery specific energy storage capacity and cell energy density. Further, we are researching the use of graphene to improve cold weather performance of electric vehicles. To meet demand, we have announced a three-year framework plan to increase our spherical graphite production capacity from 10,000 metric tons to 40,000 metric tons per annum. In addition, we are analysing synergistic partnerships with downstream battery anode and lithium-ion battery cell manufacturers.

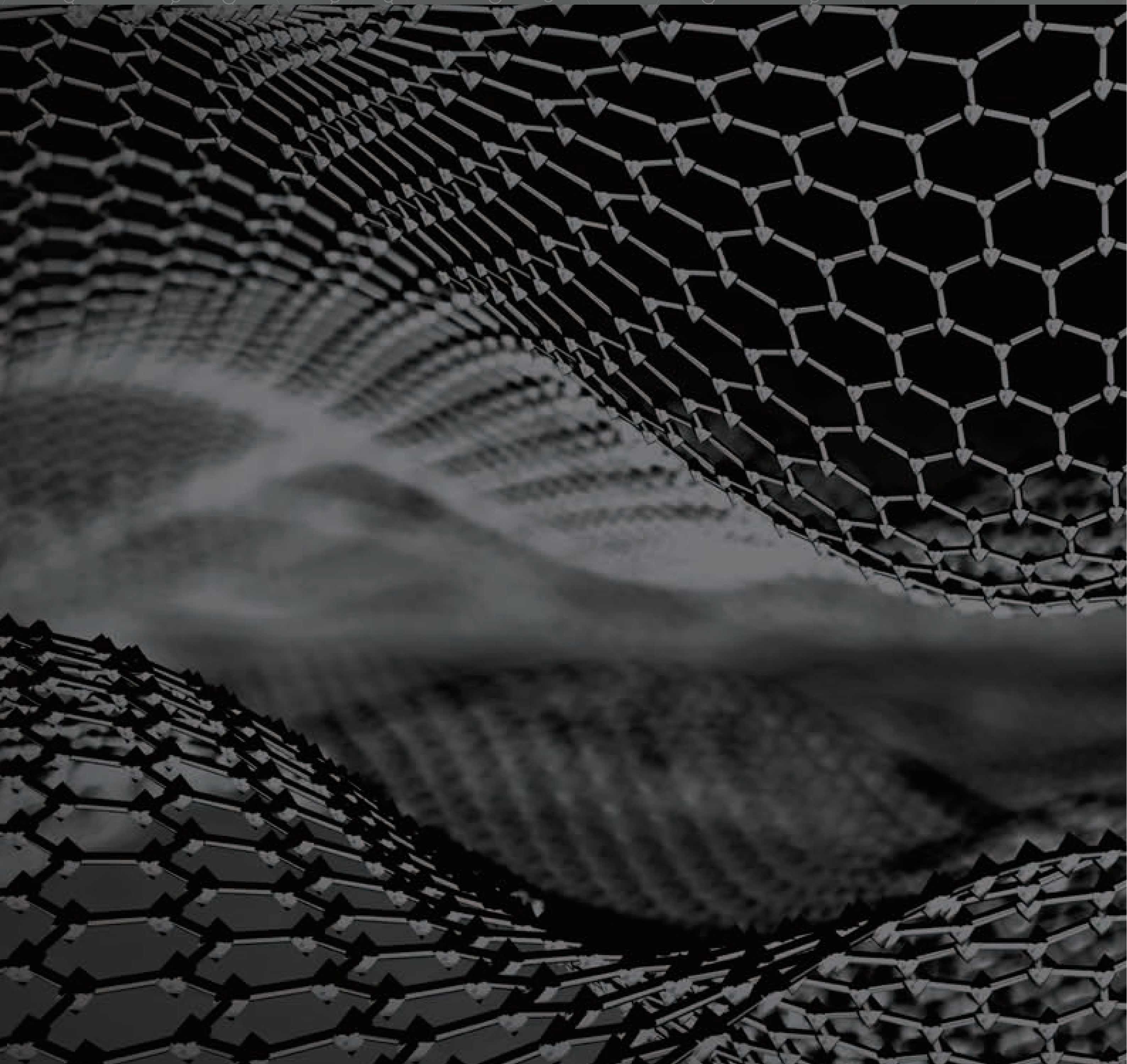
With our graphene segment now representing the majority our revenues, we have initiated a rebranding process including renaming the Company Graphex Group Limited. This change should be effective in the second quarter of 2021. Graphex Group more clearly reflects our focus on lithium-Ion anode material and provides scope to create a brand around our ultrahigh quality spherical graphite. In addition, since our business is now more global, we have created a US listing for our stock on the United States OTCQX market. This allows us to attract both new investors and also improve our US industrial exposure.

Without compromising our overall corporate strategy to generate and preserve value over the longer term, we will continue to explore new business and investment opportunities to generate incremental return to the shareholders of the Group through acquisitions or strategic cooperation with business partners.

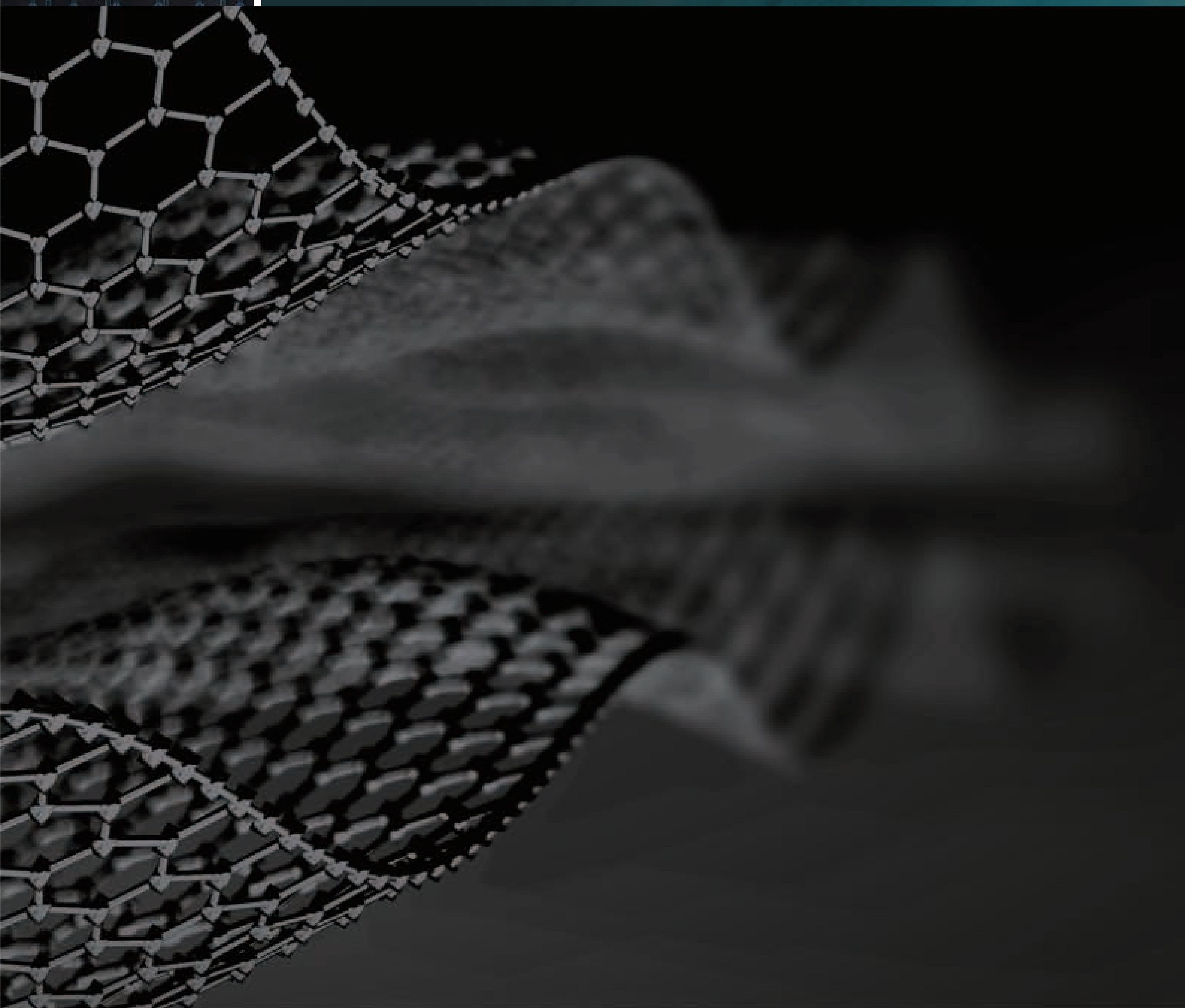
On behalf of the Board, I would like to thank the management team and staff for their dedication and contribution towards the Group's success. I would also like thank all shareholders, investors and clients for their support. Our management team and staff members will persist in striving for excellent financial results for our Group and continue to focus on generating attractive returns for our shareholders.

Lau Hing Tat Patrick, JP
Chairman

Hong Kong, 30 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

A Challenging Time for the World

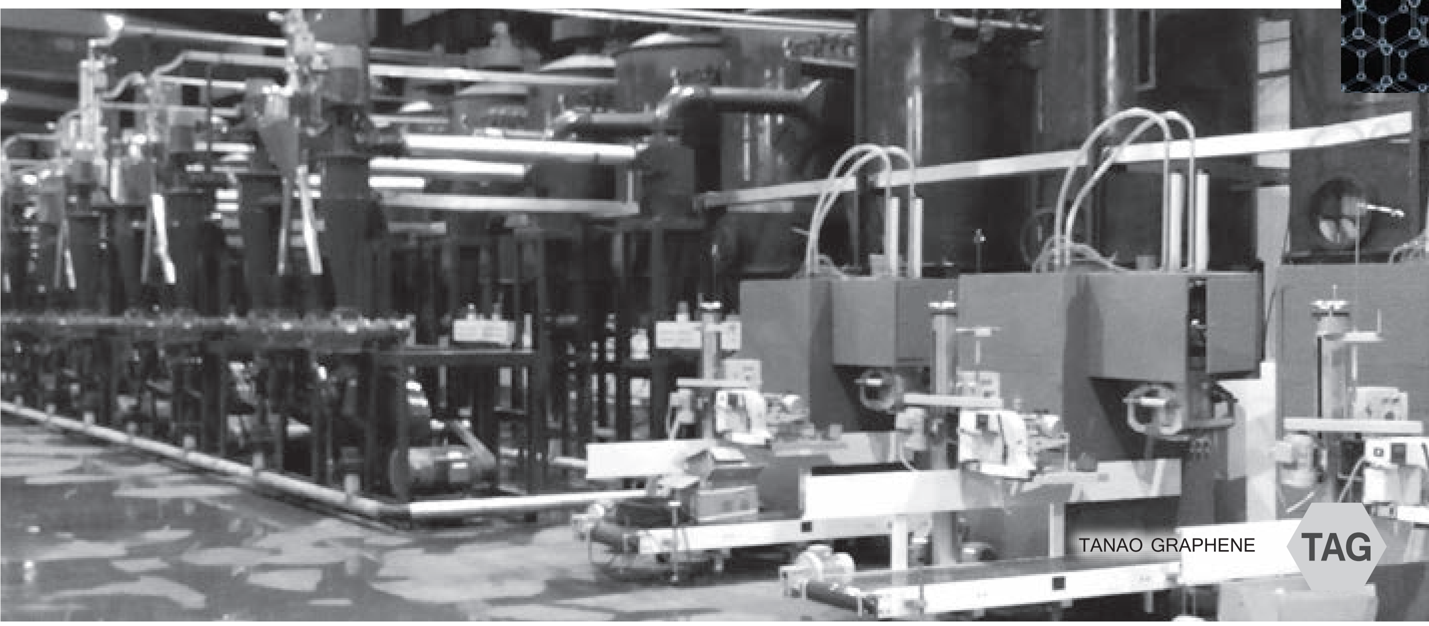
The Covid-19 pandemic has provided extraordinary challenges, impacting colleagues, our families, local communities and society at large. A top priority is to protect the safety and health of our people and the broader community that host our businesses.

Whilst our landscape architecture business was able to continue generally uninterrupted, our Graphene segment experienced production delays and our catering segment was significantly impacted by the pandemic.

We were required to temporarily suspend operations at our Graphene segment's manufacturing facility in Heilongjiang province from January 2020 to March 2020, in line with national and regional guidance. As the Covid-19 pandemic was effectively contained, we were able to restart operations in April 2020 and returned to full production capacity by May 2020.

The broader economy showed a similar trajectory of travel. In the second quarter of 2020, Chinese economic growth rebounded from negative to positive and is now signalling a stable economic recovery. Within the automotive sector, sales of new energy vehicles in China fell to 393k units in the first half, down 37.4% year-on-year. Sales strongly rebounded in the second half, with volumes up 149% to 977k units. Overall sales of new energy vehicles in China increased by 11% in 2020, to 1.37 million units.

Our catering segment experienced a greater and more prolonged impact from the pandemic. Consequently, we took swift and tactical action to minimise the financial impact to the overall Group. We closed down our restaurants in Italy and many of our locations in China, reducing the number of restaurants we operate. Our catering segment now represents a de minimis component of our Group revenues. Whilst closing of the restaurants eliminated any further cash cost to the Group, the strategy precipitated one-off non-cash impairments, which are included in our profit attributable to shareholders.



Despite the challenges presented by the pandemic in 2020, we continued to strategically focus the Group on our Graphene segment. To extend our global investor base, we completed the listing of our ADR (American Depository Receipt) through the Bank of New York Mellon on the OTCQX, the highest tier of United States over-the-counter market in October 2020. The OTCQX, also known as the QTCQX Best Market, includes a large number of blue-chip stocks from Europe, Canada and Brazil. Many of these stocks represent companies which are global household names.

Graphene Business

The Graphene business represents the majority of the Group's revenues. For the year ended 31 December 2020, the Graphene segment contributed revenue of HK$215.5 million, representing 55.4% of Group's total revenues, with an adjusted EBITDA of approximately HK$49.7 million, representing 58.5% of the Groups total EBITDA. The gross profit margin of the business was 27.4% and adjusted EBITDA margin was 23.1%

The Graphene segment's primary product is spherical graphite. Spherical graphite, also known as battery-grade graphite, is a key material battery manufacturers used to produce the graphite electrode in lithium-ion batteries. We process flake graphite into ultra-high purity (greater than 99.95%) microscopic spheres with a particle distribution size (D50) of 10-15 microns. The microscopic, homogenous spheres allow battery makers to compress more graphite into a smaller volume, thus creating a denser and more efficient graphite electrode. We currently produce approximately 10,000 metric tons of spherical graphite per annum.

Demand for lithium-ion batteries is driven by electric and hybrid vehicles, and separately as storage solution for renewable energy wind and solar farms. Analysts forecast a compound annual growth of 29% for electric vehicles sales over the next 10 years. Global electric vehicle sales are expected to grow from about 2.5 million in 2020 to 11.2 million in 2025, then almost triple to 31.1 million by 2030. By 2030, it is expected that electric vehicles will represent approximately 32% of the total market share for new car sales. Analysts predict that by 2030, China will hold 49% of the global EV market, Europe will account for 27% and the United States will hold 14%.

With each electric vehicle consuming approximately 70kg of spherical graphite, demand for our product is expected to outstrip supply by 2023. We are preparing to capitalise on this growth by adding manufacturing capacity, with a strategic plan to raise our production output from 10,000 metric tons to 40,000 metric tons over the next three years. In addition, we believe we have a strong competitive moat, with a combination of proprietary spherical graphite processing knowledge and 25 protective patents, 9 of which were issued in 2020.

Landscape Architecture Business

For the year ended 31 December 2020, the landscape architecture segment contributed revenue of HK$149.2 million, representing 38.4% of Group's total revenues, with an adjusted EBITDA of HK$20.2 million, representing 23.8% of the Group's total adjusted EBITDA. The gross profit margin of the business was 51.4% and adjusted EBITDA margin was 13.6%.

The segment maintained its leadership as one of the foremost landscape architecture service providers in Hong Kong and China. From 12 offices with over 350 employees, it provides professional services to clients including: governments, property developers, design service companies and engineering business. Its projects span urban renewals, corporate campuses, hotels/resorts and theme parks. During 2020 the segment was a MIPIM Asia Award winner for Best Futura Project in connection with Zaha Hadid Architects and was nominated for the Hong Kong Institute of Urban Design Awards.

As a recent initiative in sustainable energy, the segment is working with eight major Chinese cities to develop recharge parks. Recharge parks combine landscaped green spaces, with mobile device and electric vehicle charging points. The parks would be partially powered by onsite renewable energy. The concept is to electrically recharge machines and devices, while mentally recharging the people who use them with stunning, peaceful and sustainable open green spaces.

We believe that our landscape architecture segment has synergies with the Group's Graphene segment. The landscape architecture segment has integrated the knowledge and expertise of the Group's Graphene business in clean energy storage which helped spearhead our initiative in recharge parks/cities. Together the two groups apply expertise and experience in sustainable energy solutions to service our broad base of clients.

It obtained a Category A of Specific Landscape Architecture Engineering Design qualification in 2019 and has since then successfully won major contracts across metropolitan areas in China and Hong Kong. The segment intends to apply for Class B City Planning qualification in China, to further expand its business scope. During 2020, it also set up a subsidiary in Qingdao to access clients in northern China.

The Group will continue to ensure the sustainable provision of landscape architecture services and continue to drive the businesses market leadership.

The revenue of the landscape architecture segment slightly decreased by approximately 3.2% to approximately HK$149.2 million in 2020, compared with that of approximately HK$154.1 million in 2019.

The number of new contracts and contract sum entered by the Group during 2018 to 2020 are set out as follows:

Year ended 31 December	No. of new contracts	Contract sum (HK$'million)
2020	140	226.0
2019	174	195.8
2018	257	263.5

Catering Business

The Group's catering business is mainly represented by Carbonaphene Holdings Limited and its subsidiaries which included Thai Gallery restaurants serving Thai cuisine in the PRC and Italy. The Group's catering revenue decreased to approximately HK$24.2 million for the year ended 31 December 2020, representing a decrease of approximately 33.3%, as compared with that of approximately HK$36.4 million for the year ended 31 December 2019. The catering segment contributed approximately 6.2% of Group's total revenues. The decrease in revenue from the catering segment was mainly due to cease and/or downscale of operation of restaurants in China and Italy due to the deterioration in market environment since the outbreak of the Covid-19 pandemic in January 2020.

The Covid-19 pandemic has had a significant impact across our catering business in 2020. As a result, we discontinued operations at the majority of our restaurants in China, Hong Kong and Italy. We are currently operating one restaurant in Chengdu and provide management services to one restaurant in Shanghai. We do not intend to further expand the catering business.

IMPAIRMENT RELATED TO THAI GALLERY (HK) LIMITED ("THAI GALLERY")

The Group acquired Thai Gallery in September 2017 which mainly managed and operated restaurants serving Thai cuisine in the PRC and Italy under the brand "Thai Gallery (泰廊)". For the year ended 31 December 2020, the Group incurred impairment loss attributable to Thai Gallery. The catering segment was adversely affected by the Covid-19 pandemic where restaurants had to be suspended and/or downsized. In August 2020, the Group decided to cease the operations of Thai Gallery SRL, represented by a Thai cuisine restaurant in Italy. The cease of operations has caused immediate write-off of property, plant and equipment. There was also impairment loss against goodwill, backlog contract and brand names allocated to such cash-generating unit.

	2020 **HK$'000**	2019 HK$'000
Goodwill	**3,112**	1,979
Property, plant and equipment	**2,125**	3,310
Other intangible assets	**20,047**	4,594
Prepayments, deposits and other receivables	**—**	1,193
Fair value loss on financial assets at fair value through profit and loss	**1,201**	2,362
Total	**26,485**	13,438

Value of inputs and key assumptions used for the valuation of Thai Gallery

The recoverable amount of the cash-generating unit has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The discount rate applied to the cash flow projections was 19.02% (2019: 16.33-20.57%).

The following describes the key assumptions of the cash flow projections.

Budgeted revenue: The basis used to determine the value assigned to the revenue is the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Budgeted operating expenses: The basis used to determine the values assigned are the cost of inventories consumed, staff costs, and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Significant changes in the value of inputs and assumptions from those previously adopted

	31 December 2020		31 December 2019	
	Italy	**PRC**	Italy	PRC
Risk-free rate	**N/A**	**3.19%**	1.24%	3.14%
Cost of equity	**N/A**	**20.79%**	17.56%	20.25%
Pre-tax cost of debt	**N/A**	**4.90%**	2.49%	4.90%
WACC	**N/A**	**14.26%**	12.50%	15.49%
WACC (pre-tax)	**N/A**	**19.02%**	16.33%	20.57%

The changes in value of inputs mainly reflect the prevailing market condition and the volatility of the global economy.

There were no significant changes in the basis adopted in the preparation of the projected cash flow compared with those adopted for the previous forecast period, except for exclusion of Thai Gallery restaurant in Italy owing to the aforesaid closure where cost approach was adopted.

Valuation method and reasons for the method

The valuation method of discounted cash flow was adopted for the calculation of the value of the cash-generating unit of Thai Gallery. It requires estimates on future cash flows and associated discount rate and growth rate assumptions which are based on the management's expectation of future business performance and prospects of Thai Gallery. This income approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

The valuation method of fair value less costs of disposal was not adopted because there is no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the cash-generating unit under the prevailing market condition.

Subsequent changes to the valuation method

There was no significant change in the valuation method. The valuation method of discounted cash flow has been consistently applied in the valuation on the cash-generating unit of Thai Gallery since the acquisition date throughout the reporting period.

The Group engaged an independent valuer to perform the valuation on the cash-generating unit of Thai Gallery as at 5 December 2017, being the acquisition date, 31 December 2018, 2019 and 2020.

More details are set out in note 14 and 37 to the consolidated financial statements in this annual report.

PROFIT GUARANTEES IN RELATION TO THE ACQUISITIONS

1. Think High Global Limited

On 7 August 2019, the Group completed the acquisition of 100% issued share capital of Think High Global Limited from Tycoon Partner Holding Limited, an independent third party, at a consideration of approximately HK$692,000,000. Pursuant to the acquisition agreement and supplemental agreements thereto, the vendor guaranteed to the Group that the audited consolidated profits after tax of Think High Global Limited for the period ending 6 August 2022 as follows:

Guaranteed period	Guaranteed profit
For the period from 7 August 2019 to 31 December 2019	HK$14,095,000
For the year ending 31 December 2020	HK$35,000,000
For the year ending 31 December 2021	HK$35,000,000
For the period from 1 January 2022 to 6 August 2022	HK$20,905,000

Based on the audited results available to the Company, the consolidated net profits after tax of Think High Global Limited for the year ended 31 December 2020 was approximately HK$35,000,000 which fulfilled to meet the profit guarantee to the Group.

Further details were set out in the Company's announcements dated 31 January 2018, 24 October 2018, 7 August 2019, 13 November 2019 and the circular dated 20 December 2018.

The Company assessed the recoverable amount of the Group's goodwill, patents, trademarks, customer relationships and right-of-use assets and fair value of the profit guarantee in respective of the Graphene business at acquisition date and 31 December 2020. Further details were set out in note 13, 14, 15 and 35 to the consolidated financial statements in this annual report.

2. Thai Gallery (HK) Limited

On 30 September 2017, the Group completed the acquisition of 51% issued share capital of Thai Gallery (HK) Limited from independent third party vendors at a consideration of RMB19,380,000. Pursuant to the acquisition agreement and supplemental agreements thereto, the vendors guaranteed to the Group that the total audited net operating profit after tax of the target group for each of the three financial years ending 31 December 2021 shall be not less than RMB6,000,000, RMB7,000,000 and RMB8,000,000 respectively.

Based on the audited results available to the Company, the consolidated net operating profit after tax of the target group for the year ended 31 December 2020 was approximately RMB7 million which fulfilled to meet the profit guarantee to the Group.

Further details were set out in the Company's announcements dated 6 February 2017, 14 February 2017, 17 March 2017, 25 August 2017, 12 December 2017, 14 December 2017, 23 August 2019, 27 August 2020 and 2019 annual report.

3. Suzhou Industrial Park Wenlvge Hotel Management Company Limited

On 1 December 2017, the Group completed the acquisition of 51% equity interest in Wenlvge from independent third party vendors at a consideration of RMB10,200,000. Pursuant to the acquisition agreement, the aforesaid vendors jointly and severally guaranteed to the Group that the audited net profit after tax of Wenlvge for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than RMB2,570,000. Further details are set out in the Company's announcements dated 29 March 2017, 1 December 2017, 4 December 2017, 3 April 2019, 12 May 2020, 27 August 2020 and 2019 annual report.

According to the auditor's report of Wenlvge dated 28 February 2019, the audited net loss of Wenlvge for the year ended 31 December 2018 was approximately RMB4.1 million and therefore failed to meet the profit guarantee of RMB2,570,000 to the Group. Since April 2019, Wenlvge has ceased its operations. Pursuant to the agreement, the vendors were obliged to make the compensation of RMB26.3 million to the Group within 10 working days after the issuance of auditor's report.

However, the Group has not received any compensation from the vendors despite repeated requests. In May 2019, the Group filed a claim of approximately RMB26.3 million against the vendors at the Shanghai International Arbitration Center. The arbitration hearing was conducted in September 2019 and it was held that the Vendors were jointly and severally liable for making a compensation to the Group in the total amount of approximately RMB21.66 million. The aforesaid arbitration result was final and conclusive. The Vendors should fulfill the payment obligation within 15 days from the arbitration results.

Despite the arbitration results, however, the Company was still not able to enforce the payment from the vendors because the Company was informed by the court that the vendors did not possess any personal properties. In August 2020, the Company further filed an investigation order to the court against certain vendors who had deliberately transferred out of their properties in avoidance of their payment obligations. In January 2021, the court accepted the case and it is under review.

As of the date of this annual report, the Company has not received the final results from the court. The Company will keep the shareholders and potential investors of the Company informed of any further significant development as and when appropriate.

FINANCIAL REVIEW

Revenue

In line with the new direction of the Group, during the reporting period the Company exhibited strong growth, driven by the Graphene segment. The Graphene segment contributed revenue of approximately HK$215.5 million to the Group, representing an increase of approximately 74.5%, compared with HK$123.5 million for the year ended 31 December 2019. The Group's total revenue rose to approximately HK$388.9 million, compared with HK$313.9 million for the year ended 31 December 2019, representing year-on-year growth of approximately 23.9%.

Cost of sales

Cost of sales increased to approximately HK$231.8 million for the year ended 31 December 2020, representing an increase of approximately 38.3%, as compared with that of approximately HK$167.6 million for the year ended 31 December 2019. Cost of sales mainly represented staff cost in respect of the landscape architecture business and cost of inventories in respect of the catering and Graphene business. The increase was generally in line with the increase in revenue derived from the Graphene segment.

Gross profit and gross profit margin

Gross profit increased to approximately HK$157.0 million for the year ended 31 December 2020, representing an increase of approximately 7.3%, as compared with that of approximately HK$146.4 million for the year ended 31 December 2019.

Gross profit margin decreased by approximately 6.2 percentage points to approximately 40.4% for the year ended 31 December 2020, as compared with that of approximately 46.6% for the year ended 31 December 2019. The overall decrease in gross profit margin was due to increasing focus on Graphene segment, which had a relatively lower gross profit margin, and decrease in gross profit margin in the landscape architecture segment during the reporting year.

Selling, marketing and administrative expenses

Selling, marketing and administrative expenses increased to approximately HK$170.7 million for the year ended 31 December 2020, representing an increase of approximately 0.4%, as compared with that of approximately HK$170.0 million for the same period in 2019. It was relatively stable under the efforts of cost control within the Group with a relatively stable headcount.

Impairment loss on financial and contract assets

It mainly represented impairment loss of trade receivables, contract assets, and other receivables. Such impairment loss increased to approximately HK$23.0 million for the year ended 31 December 2020, representing an increase of approximately 247.2%, as compared with that of approximately HK$6.6 million for the same period in 2019. The increase mainly reflected the Group's increase in credit loss under the less favourable market and economic environment, particularly Covid-19, which negatively affected the Group's collectability on financial and contract assets in the daily operations of business.

Other impairment loss

During the year ended 31 December 2020, the Group incurred the following impairment loss mainly on the catering segment, represented by Thai Gallery (HK) Limited, as a result of Covid-19 such that certain restaurants had to be ceased and/or downsized. The impairment loss on property, plant and equipment of approximately HK$2.1 million and written off of goodwill of approximately HK$3.1 million was mainly attributable to the cease of operations of Thai Gallery SRL, a subsidiary in Italy, in August 2020.

The impairment of other intangible assets comprised the impairment of backlog contract of approximately HK$15.3 million and brand names of approximately HK$4.8 million. All of them were caused by the adverse impact of Covid-19 on Thai Gallery (HK) Limited.

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	**2,125**	3,522
Goodwill	**3,112**	2,307
Other intangible assets		
– Backlog contract	**15,257**	—
– Brand names	**4,790**	9,272
Fair value loss on financial assets at fair value through profit or loss	**1,201**	2,926
	26,485	18,027

Net loss

As a result of the foregoing, the loss attributable to owners of the parent was approximately HK$91.7 million for the year ended 31 December 2020, as compared with loss attributable to owners of the parent of approximately HK$57.1 million for the year ended 31 December 2019.

Liquidity, financial resources and gearing

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure and reduce the cost of capital, while maximising the return to shareholders through improving the debt and equity balance.

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current assets	**262,506**	282,558
Current liabilities	**316,940**	252,998
Current ratio	**0.8x**	1.1x

The current ratio of the Group at 31 December 2020 was approximately 0.8 times as compared to that of approximately 1.1 times at 31 December 2019. The decrease was mainly due to a drop of cash and bank balances whilst the 2-year term corporate bonds became mature and rise in lease liabilities, and other payables and accruals.

At 31 December 2020, the Group had a total cash and bank balances of approximately HK$37.7 million (31 December 2019: HK$53.9 million). The cash and bank balances were mainly held in HKD and RMB.

At 31 December 2020, the Group's gearing ratio was approximately 324.4% (represented by total interest-bearing other borrowings and promissory note at the end of the period divided by total equity at the end of the respective period multiplied by 100%) (31 December 2019: 233.8%).

At 31 December 2020, the capital structure of the Company mainly comprised issued ordinary shares and debt securities. As of 31 December 2020, the Company had outstanding issued bonds of approximately HK$225.8 million, issued promissory notes of approximately HK$298.1 million and 482,290,000 shares ordinary shares in issue.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2020.

Pledge of assets

The Group had no significant pledge of assets as at 31 December 2020.

Capital commitment

The Group had no significant capital commitment as of 31 December 2020.

Foreign exchange exposure

The Group mainly operates and invests in Hong Kong and the PRC but most of the transactions are denominated and settled in HKD and RMB. No significant foreign currency risk has been identified for the financial assets in the PRC as they were basically denominated in a currency same as the functional currencies of the group entities to which these transactions relate. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivable management, etc. Save for meeting working capital needs, the Group only holds minimum foreign currency.

Human resources and employees' remuneration

As at 31 December 2020, the Group had around 580 employees (31 December 2019: 607 employees, including managed operations. Employees are remunerated according to nature of the job, market trend and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to employees. Employee benefits include mandatory provident fund, employee pension schemes in the PRC, contributions to social security system, medical coverage, insurance, training and development programs.

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the year ended 31 December 2020, there was no share option granted (2019: nil share options) under the Share Option Scheme.

On 21 August 2014, the Company has also adopted one share award scheme (the "Share Award Scheme"). The principal objectives of the Share Award Scheme are (i) to recognise the contributions by employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme were set out in the announcements of the Company dated 21 August 2014, 5 January 2015 and 7 September 2015.

ADVANCES TO AN ENTITY

As disclosed in the announcements of the Company dated 20 September 2016, 24 January 2017, 8 December 2017 and 25 June 2019 (the "Announcements"), the Company as the Lender entered into a loan agreement (the "Loan Agreement") on 25 June 2019 with the borrower pursuant to which the Lender agreed to provide an unsecured revolving loan facility (the "Revolving Loan Facility") in the amount of HK$50,000,000 at an interest rate of 12% per annum during the availability period from 25 June 2019 to 31 December 2021. Subject to the terms and conditions, the Revolving Loan Facility can be drawn down at any time for one year during the availability period. Set out below are the principal terms of the loan agreement:

	Third Renewal Agreement
Date of agreement:	25 June 2019
Borrower:	Earthasia Worldwide Holdings Limited
Revolving facility amount:	Up to HK$50,000,000
Interest rate per annum:	12%
Availability period:	25 June 2019 to 31 December 2021
Repayment term:	One year
Repayment:	Borrower shall repay the interests with the principal amount at loan maturity
Early repayment:	The Borrower may prepay all or any part of a drawdown prior to the maturity date without penalty. Any prepayment of a drawdown will refresh the available amount of the Revolving Loan Facility for drawing. Any early repayment shall first settle all interests accrued.
Collateral:	Nil
Other terms and conditions:	The Lender shall have absolute discretion as to whether to make available any sum for any drawdown under the loan agreement.

The advance was made on the basis of the Company's credit assessments on the Borrower's financial strength, repayment history and the tenure of the advance. The Company considered that the risks and return involved in the advance to the Borrower are justifiable. For further details, please refer to the Announcements. As of 31 December 2020, there was no outstanding loan balance due from the borrower to the Company.

In relation to the provision of financial assistance by the Company to the Borrower, a combined statement of financial position of the Borrower as at 31 December 2020 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

2020	**HK$'000**
Cash and cash equivalents	**6,888**
Other current assets	**24,178**
Current assets	**31,066**
Non-current assets	**171**
Current liabilities	**(60,880)**
Non-current liabilities	**(3,111)**
Net assets/(deficiency in assets)	**(32,754)**
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	**30.0%**
Carrying amount of the investment	**—**
Revenue	**113,694**
Interest expense	**(6,742)**
Loss for the year	**(8,571)**
Loss and total comprehensive loss for the year	**(8,571)**

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group has accelerated the strategy to grow its Graphene segment. To further extend our global presence to United States electric vehicle market participants, we have established a US-subsidiary with a perpetual license to our intellectual property, including our spherical graphite and graphene patents. Furthermore, we have proposed a Group name change to shareholders from Earthasia International Holdings Limited to Graphex Group Limited. The proposed name more accurately reflects our focus on spherical graphite, graphene and energy storage solutions and allows us to strengthen our branding for our Graphene segment's products.

We have begun the planning and application process for a second spherical graphite manufacturing facility to be located in Qitaihe, Heilongjiang, which would add approximately 30,000 metric tons per year of additional production capacity. This would raise our total output to 40,000 metric tons per year; we are planning for this capacity to ramp up over the next three years.

In addition to organic growth, we are evaluating downstream acquisition growth. As part of this initiative, we have announced that we entered a letter of intent for subscription of new shares in battery maker Shenzhen KYSS Technology.

PROSPECTS

As the world begins to heal from the Covid-19 pandemic, we maintain a positive business outlook for 2021. Whilst there is always risk of renewed infection waves and potential new virus variants, national vaccinations programs are broadly underway, and governments are signalling that the world will be returning to a degree of normality by the summer. The International Monetary Fund is forecasting robust global growth, at 5.5% in 2021 and 4.2% in 2022. Personal savings rates are elevated which should support consumer spending, oil prices have stabilized and with a new administration in Washington, China-US trade tensions appear to be improving. This economic backdrop should be constructive for the Group.

Within our Graphene segment, we believe enhanced consumer spending together with global initiatives for sustainable energy will provide strong macro-economic drivers for our spherical graphite product. Government initiatives encouraging consumers to switch to from internal combustion engines to electric vehicles will bolster demand for lithium-ion batteries and positively impact the Lithium-ion supply chain, which includes our material. Initiatives to reduce global emissions and reverse climate change should further support Lithium-ion battery demand for renewable energy storage, as the world continues its transition from fossil fuel based electrical power generation to sustainable electrical power.

Further, we will continue to invest in the development and commercialisation of graphene volume production and graphene applications. The unique materials science properties of graphene offer extraordinary engineering solutions across medical, industrial, aerospace and consumer sectors.

In relation to our landscape architecture segment, the various external and domestic factors that affected Hong Kong's economy last year has somewhat abated. However, we believe any unforeseen future impact on the Group will be mild given the segment's relatively stable contract backlog of design projects. If necessary, employees can work from home during any disruptions. Furthermore, it is expected that the China may increase expenditure on public infrastructure to power economic recovery from the coronavirus, which will likely have a positive impact on our landscape architecture business.

As to the catering segment, the Group will continue to focus on the profitable operation and does not intend to grow the segment further.

2021 will certainly not be without its challenges, but we are optimistic about the opportunities the year presents. The Directors believe with the joint effort of our management and staff, we can grow the revenue streams of the Group and implement process and efficiency improvements. Furthermore, the Directors will continue to explore growth and investment opportunities that may generate additional income for the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lau Hing Tat Patrick (劉興達), JP, aged 61, is the Chairman of the Board and an executive Director since 25 November 2013. He has over 37 years of experience in operation and management in landscape architecture service industry. Mr. Lau joined the Group in October 1986 as managing director of Earthasia Limited responsible for formulating corporate and business strategies and making major corporate and operational decisions and became one of the directors and shareholders in February 1987. He has been the director of Earthasia Limited since February 1987, the director of Earthasia (International) Limited since October 2004, the director and legal representative of Earthasia (Shanghai) Co. Ltd. since November 2004, the director of Carbonaphene Holdings Limited since March 2015, the director of Upworth Capital Limited since August 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Lau acts as a director or senior executive for the purpose of overseeing the management of such businesses.

Prior to joining the Group, Mr. Lau gained his experience in another two landscape architecture companies, namely, (i) Urbis Travis Morgan Limited from March 1985 to September 1986, and (ii) EBC Hong Kong (怡境師) from August 1983 to February 1985, as a landscape architect responsible for landscape design and project management.

Mr. Lau obtained his bachelor's degree in Landscape Architecture from the University of Toronto in June 1983. He obtained his master's degree in Urban Design from the University of Hong Kong in November 1991. Mr. Lau was qualified as a professional member in the grade of Associate of the Landscape Institute in the United Kingdom in January 1987. He has been a registered landscape architect under LARO since September 1999. He served in HKILA as president from September 1994 to May 1998 and has been a fellow member of HKILA since November 2008. He has taken up the positions of chairman of Asian Habitat Society (亞洲人居環境協會) and director of the Hong Kong Coalition of Professional Service. Mr. Lau is currently a member of the Town Planning Appeal Board Panel and the Urban Forestry Advisory Panel. He was a district councillor of the Hong Kong Eastern District Council from 2004 to 2011. He was also a member of the following institutions, namely, (i) the Community Involvement Committee on Greening from March 2011 to February 2013, (ii) the Harbour-front Enhancement Committee from May 2004 to August 2009, (iii) the Harbourfront Commission from July 2010 to June 2013, (iv) the Lands and Development Advisory Committee from July 2009 to July 2015. Mr. Lau was appointed Justice of the Peace in July 2017.

Mr. Lau does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Lau held 11,232,000 Shares, which included 4,000,000 share options exercisable into same number of Shares by himself, and 46,003,444 Shares through LSBJ Holdings Limited. Mr. Lau is the beneficial owner of the entire issued capital of LSBJ Holdings Limited. Besides, Mr. Lau's wife, Ms. Keung Wai Fong Tracy, also held 1,980,000 shares of the Company, which is approximately 0.41% of the entire issued share capital. Under the SFO, Mr. Lau, being the spouse of Ms. Keung, is deemed to be interested in all the shares that Ms. Keung is interested in, and vice versa. Accordingly, taking into account of Ms. Keung's interest in the Company, Mr. Lau's interest in the Company is approximately 12.13%.

Mr. Chan Yick Yan Andross (陳奕仁), aged 58, is the Chief Executive Officer and an executive Director since 25 November 2013. He has over 35 years of experience in operation and management in landscape architecture service industry. He first joined the Group in January 1991 as managing director of Earthasia Limited responsible for formulating corporate and business strategies and making major corporate and operational decisions. Mr. Chan has been the director of Earthasia Limited since December 1995; the director of Earthasia (International) Limited since October 2004; the director of Earthasia (Shanghai) Co. Ltd. since November 2004; the director and legal representative of Earthasia (Xiamen) Co. Ltd. since March 2013; the director of Carbonaphene Holdings Limited since March 2015; the director of Upworth Capital Limited since August 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Chan acts as a director or senior executive for the purpose of overseeing the management of such businesses.

Prior to joining the Group, Mr. Chan has the following working experience relevant to his present positions in the Company:

Name of company	Principal business activities	Roles	Responsibilities	Period of services
BCG Landscape Architects Inc.	Landscape architecture, urban design, environmental planning	Partner and landscape architect	Design and project management	From September 1989 to January 1991
EDA Collaborative Inc.	Landscape architecture, urban design, environmental planning, tourism design	Intermediate landscape architect	Design and project management, detail design and working drawings	From August 1988 to August 1989
EBC Hong Kong (怡境師)	Landscape architecture and planning	Landscape architect	Design development, detailed design, contract administration and supervision	From July 1985 to February 1988

Mr. Chan obtained his bachelor's degree in Landscape Architecture from the University of Toronto in June 1985. He obtained his master's degree in architecture (landscape planning and design) from Tongji University (同濟大學) in June 2014. Mr. Chan was qualified as a professional member in the grade of Associate of the Landscape Institute in the United Kingdom in January 1988. He was a member of the Ontario Association of Landscape Architects and the Canadian Society of Landscape Architects in July 1989 and 1990, respectively. Mr. Chan has been a registered landscape architect under LARO and a fellow member of HKILA since September 1999 and November 2008, respectively. He has been a member of American Society of Landscape Architects since March 2004. He was accredited as the Outstanding Entrepreneur of the National Reconnaissance Design Industry (President) (全國勘察設計行業優秀企業家(院長)) by the China Exploration and Design Association (中國勘察設計協會) in November 2013.

Mr. Chan does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Chan held 8,204,000 Shares, which included 4,000,000 share options exercisable into same number of Shares by himself, and 93,716,887 Shares through CYY Holdings Limited. Mr. Chan is the beneficial owner of the entire issued capital of CYY Holdings Limited. Under the SFO, Mr. Chan's total interest in the Company is 101,920,887 Shares, representing approximately 20.87% of the issued share capital of the Company.

Mr. Tian Ming (田明), aged 65, is an executive Director since 25 June 2014. He has over 33 years of experience in architecture-related and landscape architecture industry. Mr. Tian joined the Group in June 2006 as the director of Earthasia (Shanghai) Co., Ltd. Prior to joining the Group, Mr. Tian worked as a deputy chief designer at Shanghai Vanke Real Estate Co., Limited (上海萬科房地產有限公司) from April 1993 to June 1998 which is a subsidiary of China Vanke Co., Ltd. (萬科企業股份有限公司) principally engaging in residential and commercial property development. Mr. Tian was responsible for property estate design (房地產設計) during his time of employment. He worked as a designer from 1983 to 1993 in Shanghai Municipal Engineering Design Institute (上海市政工程設計研究院) which is principally engaged in municipal engineering (市政工程). Mr. Tian was responsible for architectural design for municipal projects during his time of employment. Mr. Tian obtained his bachelor's degree in structural engineering from Tongji University (同濟大學) in December 1985. He was qualified as architect and structural engineer in March 1991 in the PRC by the Shanghai Municipal Engineering Design Institute (上海市政工程設計院).

Mr. Tian does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Tian held 8,930,000 Shares, which included 4,000,000 share options exercisable into same number of Shares by himself, representing approximately 1.83% of the issued share capital of the Company.

Mr. Yang Liu (楊鎏), aged 47, is an executive Director since 3 July 2017. Mr. Yang has been the director of Upworth Capital Limited since August 2017; the business director of Earthasia Limited since October 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Yang acts as a director or senior executive for the purpose of overseeing the management of such businesses. He graduated from Shaanxi University of Technology (formerly known as Shaanxi Institute of Technology) with a bachelor degree in engineering, specializing in auto-control. Mr. Yang has more than 13 years' experience in corporate and capital management in semi-conductor industry, and international trading of electronic products and bulk commodity. Mr. Yang is currently the general manager, the executive director and the legal representative of a company in the People's Republic of China with its principal activities in semi-conductor, and international trading of electronic products and bulk commodity. Mr. Yang has been a non-executive director of the board of directors of National United Resources Holdings Limited (stock code: 254, shares of which are listed on the Main Board of the Stock Exchange) from 17 July 2015 to 16 May 2017.

Mr. Yang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Yang held 4,000,000 share options which are exercisable into same number of Shares by himself, representing approximately 0.82% of the issued share capital of the Company.

Mr. Qiu Bin (仇斌), aged 49, is an executive Director since 31 July 2017. Mr. Qiu has been the director of Upworth Capital Limited since August 2017; the business director of Earthasia Limited since October 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Qiu acts as a director or senior executive for the purpose of overseeing the management of such businesses. He graduated from Beijing Union University with a bachelor degree in Business Administration. From 1992 to 2003, he was the department manager at the Bank of China Limited, Beijing Branch responsible for a wide range of banking and credit duties. From 2004 to 2008, he joined the Shanghai Pudong Development Bank, Beijing Branch and served as the business manager in charge of marketing and credit functions. From 2009 to 2012, Mr. Qiu became the deputy general manager and director of the finance department in Beijing Dong Fang Chengrui Investment Consultants, Ltd. ("Dong Fang"). He was responsible for the overall operation and strategic decisions of the foreign investment and financing businesses of Dong Fang. Mr. Qiu is well versed with Chinese domestic banking system, settlement, foreign exchange and credit areas. He also has extensive experience in the fields of financial management and securities investment. Mr. Qiu has been an executive director of the board of directors of Heng Xin China Holdings Limited (stock code: 8046, shares of which are listed on the GEM Board of the Stock Exchange and delisted on 2 July 2019) from 1 January 2013 to 2 June 2017.

Mr. Qiu does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Qiu held 4,000,000 share options which are exercisable into same number of Shares by himself, representing approximately 0.82% of the issued share capital of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Ma Lida (馬力達), aged 40, is a non-executive Director since 24 February 2014. He has over 14 years of experience in financial management. He has been the deputy general manager and board secretary of Pubang Landscape Architecture Company Limited (廣州普邦園林股份有限公司) ("Pubang") since May 2010 responsible for the general secretarial affairs. From July 2003 to February 2008, he worked as a project manager for the provision of auditing services in various projects in GP Certified Public Accountants Co., Ltd. (廣東正中珠江會計師事務所有限公司), a PRC accounting firm.

Mr. Ma obtained his bachelor's degree in Economics from the School of Public Economics & Administration at Shanghai University of Finance and Economics (上海財經大學公共經濟與管理學院) in July 2003. He further obtained his master's degree in Business Administration from Sun Yat-sen University (中山大學) in June 2010.

Mr. Ma does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Ma does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Mr. Tu Wenzhe (涂文哲), aged 31, graduated from The University of Melbourne with a master degree in Engineering Management. From March 2015 to June 2016, he joined GF Securities Co., Ltd., southern China Branch and served as the project manager in charge of various initial public offerings projects.

From July 2016, he has been the assistant to the chairman of Pubang Landscape Architecture Company Limited ("Pubang"), a joint stock limited company in the People's Republic of China with its shares listed on the Shenzhen Stock Exchange (stock code: 002663) and a substantial shareholder of the Company. Mr. Tu was responsible for the management of Pubang's affairs and was involved in the investment and financing business of Pubang.

Since April 2021, Mr. Tu has been a non-executive director of Pubang (stock code: 002663), a company listed on Shenzhen Stock Exchange. Save as disclosed above, Mr. Tu has not held any directorships in any listed company companies in the past three years.

Mr. Tu does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this annual report, Mr. Tu held 5,000,000 Shares, which included 4,000,000 share options exercisable into same number of Shares by himself, representing approximately 1.02% of the issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Ip Fong Sin (談葉鳳仙), aged 54, is an independent non-executive Director since 3 June 2014. She has over 16 years of experience in legal practice specialising in corporate and commercial litigation matters. She was admitted as a solicitor of Hong Kong in 2004. Ms. Tam obtained her bachelor's degree in Law from the University of Wolverhampton in July 1999. She has also completed her postgraduate certificate in Laws from the University of Hong Kong in September 2002. Ms. Tam has become a sole proprietor of Frances Ip & Co., Solicitors since July 2019.

Ms. Tam does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Ms. Tam does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Mr. Wang Yuncai (王雲才), aged 53, is an independent non-executive Director since 3 June 2014. He has been studying and teaching for architecture and urban planning for over 19 years.

Mr. Wang first undertook and completed his post-doctoral research work (博士後研究工作) in Architecture of Tongji University (同濟大學) from June 2001 to April 2003. Mr. Wang has held various positions under Landscape Studies Department of College of Architecture and Urban Planning in Tongji University (同濟大學建築與城市規劃學院), namely, (i) an associate professor in Landscape Planning and Design from January 2003 to June 2008; (ii) a professor deputy officer in Landscape since July 2008; and (iii) the deputy officer in Landscape since November 2009. He was also a research scholar in the field of landscape architecture at Virginia Polytechnic Institute and State University from January 2010 to June 2010.

Mr. Wang obtained his doctorate's degree in Human Geography (人文地理) from the Institute of Geographic Sciences and Natural Resources Research under Chinese Academy of Science (中國科學院地理科學與資源研究所) in July 2001. He is the author of "Landscape Ecosystem Planning Principles" (景觀生態規劃原理).

Mr. Wang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Wang does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Mr. Liu Kwong Sang (廖廣生), aged 59, obtained his Bachelor's degree of Arts in Accountancy from The Hong Kong Polytechnic University in November 1997 and his Master's degree in Business Administration from the University of Lincoln in November 2002.

Mr. Liu has over 32 years of experience in the accounting industry and is currently practising as a certified public accountant in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Chartered Association of Certified Accountants, the Institute of Financial Accountants, the United Kingdom, the Institute of Public Accountants, Australia, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Society of Registered Financial Planners. He is also a certified tax adviser.

Mr. Liu is currently an independent non-executive director of Polytec Asset Holdings Limited (stock code: 208), abc Multiactive Limited (stock code: 8131) and China National Culture Group Limited (stock code: 745), companies listed on the Main Board of the Stock Exchange (save and except abc Multiactive Limited which is a company listed on GEM of the Stock Exchange). Since April 2019, Mr. Liu has been appointed as an independent non-executive director of ATIF Holdings Limited, a company listed on The Nasdaq Stock Market (Nasdaq: ATIF). Mr. Liu was also an independent non-executive director of Pine Care Group Limited (stock code: 1989) and Evershine Group Holdings Limited (stock code: 8022), a company listed on GEM of the Stock Exchange from May 2014 to December 2016.

Save as disclosed above, Mr. Liu has not held any directorships in any listed public companies in the past three years.

Mr. Liu does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this annual report, Mr. Liu does not have any interest in the securities of the Company within the meaning of Part XV of the SFO nor any relationship with any Director, senior management, substantial Shareholder or Controlling Shareholder of our Company.

Mr. Tang Zhaodong (唐照東), aged 56, obtained his Bachelor's degree of engineering in computer science* (計算機技術專業工學學士) from the Beijing University of Technology* (北京工業大學) in 1986 and his Master's degree of Science in computer software* (計算機軟件專業理學碩士) from the Institute of Com-puting Technology, Chinese Academy of Sciences* (中國科學院計算技術研究所) in 1989.

Mr. Tang has over 26 years of experience in the trading of products including but not limited to computers, toys and electronic products worldwide. After working in China Great Wall Computer Group Co., Ltd. for three years, Mr. Tang engaged in the business of trading of computers and related products by establishing his own company in Zhongguancun, Beijing in 1992. In 1996, he expanded his trading business into the United States market. Since then, he has been engaging in China-U.S. trading activities.

Mr. Tang has not held any directorships in any listed public companies in the past three years.

Mr. Tang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this annual report, Mr. Tang does not have any interest in the securities of the Company within the meaning of Part XV of the SFO nor any relationship with any Director, senior management, substantial Shareholder or Controlling Shareholder of our Company.

Mr. Chan Anthony Kaikwong (陳繼光), aged 66, obtained his Bachelor's degree in biochemistry and Master's degree in business administration from the University of California at Berkeley in 1975 and 1977 respectively.

Mr. Chan has over 31 years of experience in the corporate finance industry. From 1984 to 1999, he worked in different companies with managerial position including being the manager in light industries of The Eisenberg Group of Companies in Beijing, China, the vice president in China sourcing of International Sources, Inc. in San Francisco, the United States and the president and chief executive officer in American Champion Entertainment, Inc. in San Jose, the United States. Since 2000, he provided financial advice to various companies by acting as a financial advisor or the chief financial officer (as the case may be) in Pacific Systems Control Technology, Inc., Beijing Wandong Medical Equipment Company Ltd., Dehai Cashmere Industry Corporation, HereUare, Inc. and Tianjin Tongguang Digital Broadcasting Co., Ltd. Mr. Chan has been the chief financial officer and the executive vice president of Borqs Technologies, Inc. since April 2015.

Mr. Chan has not held any directorships in any listed public companies in the past three years.

Mr. Chan does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this annual report, Mr. Chan does not have any interest in the securities of the Company within the meaning of Part XV of the SFO nor any relationship with any Director, senior management, substantial Shareholder or Controlling Shareholder of our Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors are set out below:

Directors	Details of Changes
Wong Wang Tai	Ceased to be a director of the Company on 15 June 2020
Liu Kwong Sang	Appointed as an independent non-executive Director since 15 June 2020
	Ceased to be an independent non-executive director of Pine Care Group Limited (stock code: 1989) on 19 October 2020
Tang Zhaodong	Appointed as an independent non-executive Director since 15 June 2020
Chan Anthony Kaikwong	Appointed as an independent non-executive Director since 15 June 2020
Tu Wenzhe	Appointed as a non-executive Director since 28 January 2021
	Appointed as a non-executive Director of Pubang Landscape Architecture Company Limited (stock code: 002663) since 1 April 2021

In respect of the change in emoluments of Directors and chief executive of the Company, please refer to note 8 to the consolidated financial statements in this annual report.

SENIOR MANAGEMENT

Mr. Kwok Ka Hei (郭嘉熙), aged 39, is the company secretary of the Company. He has also been the chief financial officer of the Company since 28 March 2014. He has over 15 years of experience in corporate finance and accounting profession. He joined the Group in December 2013 as the chief financial officer of Earthasia Limited. Prior to joining the Group, Mr. Kwok served in GF Capital (Hong Kong) Limited in corporate finance department from October 2010 to December 2013. Prior to that, he served in KGI Capital Asia Limited in the investment banking department from December 2007 to October 2010. He also worked in PricewaterhouseCoopers Ltd. from September 2005 to November 2007. Mr. Kwok obtained his bachelor's degree of Arts with a major in Accountancy from the Hong Kong Polytechnic University in December 2005. He has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since July 2009 and a Financial Risk Manager of Global Association of Risk Professionals since April 2008.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the reporting period ended 31 December 2020. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiries to all Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2020.

CORPORATE STRATEGY

The primary objective of the Group is to generate long-term return for our shareholders. The Group's strategy is to place equal emphasis on achieving sustainable business model with recurring earnings and maintaining robust financial profile. The Chairman's Statement, Management Discussion and Analysis, and the Directors' Report throughout this annual report contain discussions and analysis of the Group's performance and the basis on which the Group generates or preserves value over the longer term, and the basis on which the Group will execute its strategy for delivering the Group's objectives.

DIVIDEND POLICY

The Company has adopted a dividend policy since 8 January 2019 (the "Dividend Policy") which allows the shareholders of the Company to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. According to the Dividend Policy, in addition to the final dividends, the Company may declare interim dividends or special dividends from time to time.

Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others, the Group's actual and expected financial performance, retained earnings and distributable reserves, working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, shareholders' interests, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group and other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations.

The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and modify the Dividend Policy at any time.

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the "Board Diversity Policy"). A summary of this policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of board diversity policy

The Company recognizes and embraces the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the board. In designing the board's composition, board diversity has considered a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the board.

Measurable objectives

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 services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the board.

Implementation and monitoring

The nomination committee reviews the board's composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy annually.

The nomination committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

NOMINATION POLICY

The Group has adopted a nomination policy (the "Nomination Policy") since 31 December 2018. A summary of this policy is disclosed as below.

1. Objective

1.1 The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

1.2 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders of the Company for election as Director at general meetings or appoint him/her to fill casual vacancies.

1.3 The Nomination Policy helps the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

2. Selection criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

(1) Reputation for integrity;

(2) Commitment in respect of available time and relevant interest; and

(3) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination procedures

3.1 Appointment of Directors

(1) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy will be subject to re-election by shareholders at the first general meeting after his/her appointment, and individual(s) appointed by the Board as an addition to the Board will be subject to re-election by shareholders at the next annual general meeting, in accordance with the Company's articles of association.

(5) The shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

3.2 Re-appointment of Directors

(1) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of each retiring independent non-executive Director.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association.

(5) The shareholders approve the re-election of Directors at the annual general meeting.

3.3 The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of Directors.

4. Review of the nomination policy

4.1 The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

BOARD OF DIRECTORS

The Board currently consists of twelve members, including five executive Directors, two non-executive Directors and five independent non-executive Directors. Each executive Director and non-executive Director is suitably qualified for his/her position, and has sufficient experience and time to hold the position so as to carry out his/her duties effectively and efficiently. Throughout the year ended 31 December 2020, the Company has three to five independent non-executive Directors representing not less than one-third of the Board.

Each of the independent non-executive Directors has confirmed by annual confirmation that he/she has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all five independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst the five independent non-executive Directors, Mr. Liu Kwong Sang has the appropriate professional qualifications on accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The composition of the Board during the year is as follows:

Executive Directors	Mr. Lau Hing Tat Patrick *(Chairman)* Mr. Chan Yick Yan Andross *(Chief Executive Officer)* Mr. Tian Ming Mr. Yang Liu Mr. Qiu Bin
Non-executive Directors	Mr. Ma Lida Mr. Tu Wenzhe (appointed on 28 January 2021)
Independent non-executive Directors	Ms. Tam Ip Fong Sin Mr. Wong Wang Tai (retired on 15 June 2020) Mr. Wang Yuncai Mr. Liu Kwong Sang (appointed on 15 June 2020) Mr. Tang Zhaodong (appointed on 15 June 2020) Mr. Chan Anthony Kaikwong (appointed on 15 June 2020)

Pursuant to Article 108(a), Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, Mr. Qiu Bin and Mr. Ma Lida will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. In addition, in accordance with the Articles, Mr. Tu Wenzhe, who was appointed as non-executive Director with effect from 28 January 2021, will hold office until the forthcoming AGM and, being eligible, will offer himself for re-election.

The Board is responsible for developing the Group's strategy, monitoring the Group's operational and financial performance, and ensuring effective governance and sound internal control and risk management systems are in place. Through the Board committees, the Board leads and provides direction to management by laying down strategies and overseeing their implementation.

The management is delegated with the authority and responsibility by the Board for the management, execution and administration of the Group. Under the leadership of the Chief Executive Officer, the management is responsible for the day-to-day management of the Group's businesses and implementation of the strategies approved by the Board and reports to the Chief Executive Officer regularly. The Chief Executive Officer in turn reports to the Board on the progress of approved strategies, business performance and development of the Group.

The Board is responsible for the corporate governance functions under D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- to review the Company's compliance with the code and disclosure in the corporate governance report; and
- to maintain an appropriate and effective internal control and risk management system.

All directors have full and timely access to all relevant information, including monthly updates from the management, regular reports from various Board committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company as appropriate.

The Board acknowledges its responsibility for the preparing the financial statements of the Group according to the statutory requirements and the applicable accounting standards which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. The Board confirms that, to the best of their knowledge, the financial statements for the reporting year have been prepared on a going concern basis. The Board is not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The responsibilities of the external auditors of the Company on the financial statements are set out in the Independent Auditor's Report of this annual report.

Biographies of the current Directors are set out on the section headed "Biographies of Directors and Senior Management" of this annual report.

The Directors' and chief executive's remuneration and all other emoluments paid or payable to the Directors and chief executive during the year are set out on an individual and named basis in note 8 to the consolidated financial statements of this annual report.

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged appropriate directors and officers liability insurance cover for this purpose.

BOARD MEETING

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of regular Board meetings in compliance with paragraph A.1.1 of the CG Code. Agendas and accompanying papers are sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same. If necessary, ad-hoc meetings will also be convened to discuss the overall strategy as well as the operation and financial performance of the Group. Reasonable notices will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communications. The Chairman also met with the independent non-executive Directors at least annually without the presence of other Directors. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings.

The Board held nine meetings in 2020. The annual general meeting of the Company was held on 15 June 2020 with the attendance of the external auditor to answer question.

The attendance of individual directors at the Board and its committee meetings, and the annual general meeting held in 2020 is set out in the following table:

	Meetings attended in 2020[1]				
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Executive Directors					
Mr. Lau Hing Tat Patrick *(Chairman of the Board and the Nomination Committee)*	8/9	–	1/1	–	1/1
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	9/9	–	–	1/1	0/1
Mr. Tian Ming	8/9	–	–	–	0/1
Mr. Yang Liu	8/9	–	–	–	0/1
Mr. Qiu Bin	9/9	–	–	–	1/1
Non-executive Directors					
Mr. Ma Lida	8/9	0/3	–	–	0/1
Mr. Tu Wenzhe[2]	–	–	–	–	–
Independent non-executive Directors					
Ms. Tam Ip Fong Sin *(Chairlady of the Remuneration Committee)*	8/9	3/3	1/1	1/1	1/1
Mr. Wong Wang Tai[3]	6/7	2/2	–	–	0/1
Mr. Liu Kwong Sang[4] *(Chairman of the Audit Committee)*	1/2	1/1	–	–	–
Mr. Tang Zhaodong[4]	1/2	–	–	–	–
Mr. Chan Anthony Kaikwong[4]	2/2	–	–	–	–
Mr. Wang Yuncai	8/9	2/3	1/1	1/1	0/1

Note:

1. Directors may attend meetings in person, by telephone or through other means of video conference or by their alternate directors in accordance with the Company's Articles.

2. Appointed on 28 January 2021

3. Retired on 15 June 2020

4. Appointed on 15 June 2020

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The current Articles provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each non-executive Director, non-executive Director and independent non-executive Director is appointed for a specific term of one to three years subject to retirement by rotation and re-election in accordance with the Articles. Therefore, no director will remain in office for a term of more than three years. Each independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

A.2.1 of the CG Code requires the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman of the Company is Mr. Lau Hing Tat Patrick and the functions of Chief Executive Officer are performed by Mr. Chan Yick Yan Andross. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the daily business of the Group in all aspects effectively.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Below is a summary of the training the Directors had received during the year under review:

Name of Director	Attending/ Participating during the year ended 31 December 2020
Mr. Lau Hing Tat Patrick *(Chairman)*	A & B
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	A & B
Mr. Tian Ming	A & B
Mr. Yang Liu	A & B
Mr. Qiu Bin	A & B
Mr. Ma Lida	A & B
Mr. Tu Wenzhe*	N/A
Ms. Tam Ip Fong Sin	A & B
Mr. Wong Wang Tai (retired on 15 June 2020)	A & B
Mr. Wang Yuncai	A & B
Mr. Liu Kwong Sang (appointed on 15 June 2020)	A & B
Mr. Tang Zhaodong (appointed on 15 June 2020)	A & B
Mr. Chan Anthony Kaikwong (appointed on 15 June 2020)	A & B

A: Areas relating to the Group's business/Directors' duties
B: Areas relating to legal and regulatory/corporate governance practices
* Appointed on 28 January 2021

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company and the Stock Exchange to assist them in the effective implementation of their functions. Specific responsibilities have been delegated to the above committees.

Audit committee

The Company has established the Audit Committee on 3 June 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of four members namely, Mr. Liu Kwong Sang (an independent non-executive Director), Ms. Tam Ip Fong Sin (an independent non-executive Director), Mr. Wang Yuncai (an independent non-executive Director) and Mr. Ma Lida (a non-executive Director). The chairman of the Audit Committee is Mr. Liu Kwong Sang .

The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports. They also make recommendations to the Board on the appointment and removal of external auditor, review the risks facing the Company and to oversee management in the design, implementation and monitoring of the risk management system.

During the year ended 31 December 2020, the Audit Committee held three meetings to, among others, review the audit plan and approve the audit fee for the year ended 31 December 2020, reviewed the Group's internal control, the final results and annual report of the Group for the year ended 31 December 2019 and the interim results and interim report of the Group for the six months ended 30 June 2020, as well as other reports prepared by the external auditor covering major findings in the course of its audit/review before submission to the Board for approval.

Remuneration committee

The Company has established the Remuneration Committee on 3 June 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of Mr. Wang Yuncai (an independent non-executive Director), Ms. Tam Ip Fong Sin (an independent non-executive Director) and Mr. Chan Yick Yan Andross (an executive Director). The chairlady of the Remuneration Committee is Ms. Tam Ip Fong Sin.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy as well as the specific remuneration packages for the Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No director will take part in any discussion on his own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

During the year ended 31 December 2020, the Remuneration Committee held one meeting to, among others, discuss and approve for recommendation to the Board the salary adjustments of Directors and senior management for the year ended 31 December 2020.

Nomination committee

The Company has established the Nomination Committee on 3 June 2014 with written terms of reference in compliance with the CG Code. The Nomination Committee consists of Mr. Lau Hing Tat Patrick (an executive Director), Mr. Wang Yuncai (an independent non-executive Director) and Ms. Tam Ip Fong Sin (an independent non-executive Director), a majority of whom are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Lau Hing Tat Patrick.

The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

The Company has adopted the Board Diversity Policy and recognizes and embraces the benefits of having Board diversity to enhance the quality of its performance in compliance with A.5 of the CG Code. When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

During the year ended 31 December 2020, three new Directors were appointed. One meeting was held by the Nomination Committee to recommend the appointment of the Directors, to review the size, structure, composition as well as diversity of the Board, to assess the independence of independent non-executive Directors and to consider the re-election of the Directors. The Nomination Committee has also reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the objectives of the Board Diversity Policy during the year under review.

Corporate governance function

All members of the Board are responsible for performing the corporate governance functions which is in compliance with paragraph D.3.1 of the CG code. The Board will review the policy of the corporate governance and the corporate governance report of the Company annually.

AUDITORS' REMUNERATION

The fee charged by the Group's external auditors in respect of the audit and non-audit services to the Group during the year is summarized as below:

	Fees paid/payable (HK$'000)	
Services rendered	**2020**	2019
Audit services	**4,487**	4,415
Non-audit services (i.e. tax services, incorporation, certification, etc.)	**321**	490
Total	**4,808**	4,905

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk management system

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Principal risks and uncertainties

The directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates as well as others that are common to most if not all other businesses. The directors have established a policy to ensure that significant risks which may adversely affect the Group's performance and ability to deliver on its strategies, as well as those which may present positive opportunities, are identified, reported, monitored, and managed on a continuous basis.

The following are key risks that are considered to be of most significance to the Group at this time. They have the potential to adversely and/or materially affect the Group's businesses, financial conditions, results of operations and growth prospects if they are not managed effectively. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or which may not be material now but could turn out to be material in the future.

Principal Risks	Risk Titles	Risk Descriptions	Risk Mitigations
Market risk	Covid-19 pandamic	The outbreak of COVID-19 since January 2020 has caused serious contraction of the global economy. Despite the diversification of businesses, the Group's business operations have inevitably been affected when the local government imposed movement control measures as to slow the spread of the virus.	The Group continues to monitor the overall impact of Covid-19 and to contain its operational and financial risks. Different levels of proactive measures and contingency plans have been formulated to act on possible situations in order to sustain the Group's business operations.
Business and strategic risk	Innovation and product development	If the Group fails to keep updated of important technological changes in the industry, the Group's business could be affected.	The Group has made continuous efforts on research and development and monitored technological innovations in the industry to keep up the Group's competitiveness in the Graphene business.
Business and strategic risk	Client management	In the event that the Group is unable to retain the clients or expand the client base, the overall business may be adversely affected.	Business development team and project team maintain business relationship with existing clients and keep the clients informed of the recent developments of the Group to strengthen the brand and reputation through quality service. Project directors conduct ongoing monitoring on every contract to ensure the deliverables are up to standard and timely followed.

Principal Risks	Risk Titles	Risk Descriptions	Risk Mitigations
Credit risk	Accounts receivables management	If the progress payments are not settled by the client on time and in full, the accounts receivables will be long outstanding. This situation may increase the Group's credit risk and liquidity risk.	Regular meetings are held to discuss client's payment status. For those long outstanding accounts receivables, written payment reminder will be issued to the client and legal advices will be sought.
Liquidity risk	Debt settlement	The risk of being unable to settle obligations as they fall due.	The Directors will closely monitor the liquidity and cash flow position of the Group to fulfill all the debt obligations of the Company.
Legal and compliance risk	Local and international law and regulatory requirements	The ordinary shares of the Company is listed in Hong Kong and its ADR listed in the United States, and operates in Hong Kong and the PRC. It may be exposed to different and changing government policies, political, social, legal and regulatory requirements.	The Group has internal procedures to monitor legal and compliance matters for daily operations and will seek internal and external legal advice as and where appropriate for new business initiatives.
Operational risk	Cost management	Business operations and financial positions may be affected if the cost is not controlled effectively.	Project plan is prepared by project team. Management will regularly monitor the project schedule and evaluate the reason of any excessive time cost spent on particular project. If gross profit margin is lower than required, meetings will be held to discuss the reasons behind.
Operational risk	Subconsultant management	If there is no proper sub-consultant selection procedure, an inappropriate sub-consultant would be selected in an unfair and untransparent manner.	A proper selection and quotation comparison procedure is formulated and implemented in the event that the service of sub-consultant is involved.
IT risk	Cyber security	The Group has diversified into different business segments across cities in Hong Kong and China. The increased application of information technology in the Group's businesses, the threats to IT systems including cyberattacks are imminent and present a real challenge to the Group's business operations.	Our Group has implemented a set of comprehensive IT security policies and procedures to address those threats and mitigate the potential loss of the Group's assets and operations, reduce the impact on our business and resume our business operations as soon as practicable.

Details about the Group's financial risk management are set out in note 46 to the consolidated financial statements in this annual report.

Internal control system

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted for 2020, no significant control deficiency was identified.

Effectiveness of the risk management and internal control systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by internal audit function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Internal auditors

The Group has an internal audit function, which is consisted of professional staff with relevant expertise. The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An internal audit plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Audit Committee and the Board afterwards.

COMPANY SECRETARY

The company secretary is a full time employee of the Company. During the year under review, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for directing shareholders' enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and/or email address) to the Company's principal place of business in Hong Kong at 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong for the attention of the company secretary.

Procedures for convening an extraordinary general meeting by shareholders

Pursuant to Article 64 of the Company's Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at shareholders' meetings

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening an extraordinary meeting by shareholders".

Pursuant to Article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company is committed to promoting and maintaining effective communication with the shareholders (both individual and institutional) and other stakeholders. The Company encourages two-way communications with institutional and retail investors, as well as financial and industry analysts. Extensive information on the Company's activities is provided in the annual and interim reports and circulars which are sent to the shareholders and are also available on the websites of the Company and the Stock Exchange.

Shareholders are encouraged to attend the forthcoming annual general meeting of the Company for which at least 20 clear business days' notice is given. At the meeting, directors will be available to answer questions on the Group's business and external auditor will be available to answer questions about the conduct of the audit, the preparation and content of the auditor's reports, the accounting policies and the auditor independence.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents. The Company's Memorandum and Articles of Association are available on both the Company's and the Stock Exchange's websites.

REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and has its registered office at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Group's principal place of business in Hong Kong is 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are landscape architecture in Hong Kong and Mainland China, catering business in Mainland China, and graphene business in Mainland China.

BUSINESS REVIEW

A fair review of the business of the Group during the year and particulars of important events affecting the Group that have occurred since the end of the financial year 2020 as well as a discussion on the Group's future business development are provided in the "Chairman's Statement" and the "Management's Discussion and Analysis"throughout this annual report. An analysis of the Group's performance for the year by operating segment is set out in note 4 to the consolidated financial statements in this annual report. The aforementioned discussions form part of this Directors' report.

Description of the principal risks and uncertainties facing the Group can be found in the section headed "Principal Risks and Uncertainties" under the Corporate Governance Report in this annual report. Details about the Group's financial risk management are set out in note 46 to the consolidated financial statements in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. To the best knowledge of the Directors of the Company, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2020.

Environmental policies and performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors of the Company, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2020. Details are set out in the Environment, Social and Governance Report.

Key relationships with employees, customers and suppliers

Human resources are one of the most valuable assets of the Group. The Group also offers competitive remuneration packages to our employees. More details of the Group's employment and labour practices are set out in the section headed Human Resources and Employees' Remuneration, and the Environmental, Social and Governance Report of this annual report .

The Group treasured to maintain a good relationship with its clients. We are committed to offer a broad and diverse range of inspiring, value-for-money, good quality services and products to our clients.

The Group maintains a fair, safe and ethical approach in its day-to-day operation towards its numerous and diversified contractors and suppliers. To comply with the laws and regulations of its operating countries intensity, the Group has established stringent internal controls to procuring goods and services through fair and unbiased tender process. The selection of subcontractors and suppliers will be based on competitive pricing, specifications and standards, product and service quality as well as service support.

Particulars of important events affecting the Group that have occurred since the end of the financial year 2020, if any, is set out in the above sections and the notes to the consolidated financial statements in this annual report. The prospects of the Group's business is discussed throughout this annual report including in the "Chairman's Statement"of this annual report. Throughout 2020, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2020 are set out in note 1 to the consolidated financial statements in this annual report which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit and loss. The Board does not recommend the payment of final dividend for the year ended 31 December 2020. A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on the last page of this annual report.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Wednesday, 2 June 2021 to Monday, 7 June 2021, both days inclusive, for the purpose of determining the entitlement to attend and vote at the annual general meeting ("AGM") scheduled to be held on Monday, 7 June 2021. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong ("Branch Share Registrar") not later than 4:30 p.m. on Tuesday, 1 June 2021.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this annual report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this annual report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 December 2020.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB1,000 (2019: HK$5,000).

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in note 13 to the consolidated financial statements in this annual report.

BANK AND OTHER BORROWINGS

Details of interest-bearing borrowings of the Group as at 31 December 2020 are set out in note 29 to the consolidated financial statements in this annual report.

SHARE CAPITAL AND SHARE AWARD SCHEME

Details of movements in the Company's share capital and Share Award Scheme during the year are set out in note 32 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company unless otherwise required by the Stock Exchange.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of all the former and existing directors of the Company is currently in force and was in force throughout the year of 2020 and as of the date of this Directors' report.

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

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

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders of the Company by reason of their holding of the shares of the Company.

RESERVES

At 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (as amended) of the Cayman Islands, amounted to approximately HK$107.6 million. The amount of HK$107.6 million includes the Company's share premium account of approximately HK$342.6 million in aggregate at 31 December 2020, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Details of movements in the reserves of the Company and the Group during the year are set out in note 47 to the consolidated financial statements and in the consolidated statement of changes in equity respectively in this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on the last page of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the percentage of purchases attributable to the largest supplier and the 5 largest suppliers combined accounted for approximately 36.5% and 91.4% of the total purchases of the Group respectively. The percentage of revenue from sales of goods or rendering of services attributable to the largest customer and the 5 largest customers combined accounted for approximately 17.3% and 43.9% of the total revenue of the Group respectively.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had interests in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors	Mr. Lau Hing Tat Patrick *(Chairman)* Mr. Chan Yick Yan Andross *(Chief Executive Officer)* Mr. Tian Ming Mr. Yang Liu Mr. Qiu Bin
Non-executive Directors	Mr. Ma Lida Mr. Tu Wenzhe[1]
Independent non-executive Directors	Ms. Tam Ip Fong Sin Mr. Wong Wang Tai[2] Mr. Wang Yuncai Mr. Liu Kwong Sang[3] Mr. Tang Zhaodong[3] Mr. Chan Anthony Kaikwong[3]

1. Appointed on 28 January 2021
2. Retired on 15 June 2020
3. Appointed on 15 June 2020

Pursuant to Article 108(a), Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, Mr. Qiu Bin and Mr. Ma Lida will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. In addition, in accordance with the Articles, Mr. Tu Wenzhe, who was appointed as non-executive Director with effect from 28 January 2021, will hold office until the forthcoming AGM and, being eligible, will offer himself for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group.

The biographical details of current Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of connected transactions and continuing connected transactions are disclosed in this Directors' report, and related party transactions are set out in note 42 to the consolidated financial statements in this annual report.

Save for the above, there were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group (other than contracts of service with any Director or any person engaged in full time employment of the Group) were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

Save as Mr. Ma Lida and Mr. Tu Wenzhe, our non-executive Director(s) nominated by Pubang, whom are required to declare their conflict of interests and barred from participation or voting on issue if there is any potential conflict of interest between the Group and Pubang, the Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year ended 31 December 2020.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the deed of non-competition (as defined in the prospectus of the Company dated 12 June 2014). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling shareholders.

DIRECTORS' REMUNERATION

Details of the Directors emoluments are set out in note 8 to the consolidated financial statements in this annual report. The Directors' remunerations are determined subject to the recommendations of the Remuneration Committee and the Board's approval with reference to Directors' duties, responsibilities and performance and the results of the Group.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange are as follows:

Long position in the shares and underlying shares

			Number of Shares					
Name of Director	Capacity	Personal interest	Family interest	Corporate interest	Other interest	Number of underlying Shares held under the Share Option Scheme	Total	Approximate % of shareholding
Chan Yick Yan Andross	Beneficial owner, interest of controlled corporation	4,204,000	–	93,716,887[1]	–	–	97,920,887	20.30%
Lau Hing Tat Patrick	Beneficial owner, interest of spouse, interest of controlled corporation	5,768,000	1,980,000	46,003,444[2]	–	–	53,751,444	11.15%
Tian Ming	Beneficial owner	3,930,000	–	–	–	–	3,930,000	0.81%

Notes:

1. Such interests are held by CYY Holdings Limited, a company incorporated in the British Virgin Islands, of which Mr. Chan Yick Yan Andross is interested in the entire issued share capital.

2. Such interests are held by LSBJ Holdings Limited, a company incorporated in the British Virgin Islands, of which Mr. Lau Hing Tat Patrick is interested in the entire issued share capital.

Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Approximate % of shareholding
Chan Yick Yan Andross	Ease Global Limited	Personal	9 (ordinary shares)	9.90%

Saved as disclosed above, as at 31 December 2020, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 2020, so far as the Directors and chief executive of the Company are aware, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

Long position in the shares

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate % of shareholding
CYY Holdings Limited[1]	Beneficial owner	93,716,887	19.43%
PBLA Limited[2]	Beneficial owner	75,223,669	15.60%
Pubang Landscape Architecture (HK) Company Limited[2]	Interest of controlled corporation	75,223,669	15.60%
Pubang Landscape Architecture Company Limited[2]	Interest of controlled corporation	75,223,669	15.60%
LSBJ Holdings Limited[3]	Beneficial owner	46,003,444	9.54%
UBS Group AG[4]	Interest of controlled corporation	38,158,000	7.91%
UBS AG[4]	Beneficial owner	38,158,000	7.91%
Gao Xin[5]	Beneficial owner, interest of controlled corporation	31,848,000	6.60%
Profit King Investment Development Limited[5]	Beneficial owner	27,000,000	5.60%

Notes:

1. CYY Holdings Limited is 100% beneficially owned by Mr. Chan Yick Yan Andross. Accordingly, Mr. Chan Yick Yan Andross is deemed to be interested in the shares of the Company held by CYY Holdings Limited under the SFO.

2. PBLA Limited is 100% beneficially owned by Pubang Landscape Architecture (HK) Company Limited, which is in turn 100% beneficially owned by Pubang Landscape Architecture Company Limited. Accordingly, each of Pubang Landscape Architecture (HK) Company Limited and Pubang Landscape Architecture Company Limited is deemed to be interested in the Shares held by PBLA Limited under the SFO.

3. LSBJ Holdings Limited is 100% beneficially owned by Mr. Lau Hing Tat Patrick. Accordingly, Mr. Lau Hing Tat Patrick is deemed to be interested in the shares of the Company held by LSBJ Holdings Limited under the SFO.

4. UBS AG is 100%, owned by UBS Group AG.

5. Mr. Gao Xin holds 4,848,000 Shares by himself and 27,000,000 Shares through Profit King Investment Development Limited, a company incorporated in the British Virgin Islands. The issued share of Profit King Investment Development Limited is wholly owned by Mr. Gao Xin.

SHARE OPTION SCHEME

The Company has adopted one share option scheme (the "Share Option Scheme") on 3 June 2014 which became effective on 25 June 2014.

During the year ended 31 December 2020, there were no share options granted, exercised, cancelled or lapsed. As at 1 January and December 2020, the Company had nil share options outstanding under the Share Option Scheme.

Summary of the share option scheme

1.	Purposes	To provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.
2.	Qualifying participants	Any director, including independent non-executive director, of the Company and any entity in which the Group holds at least 20% of its shares (the "Invested Entity"), other employees of the Group or the Invested Entity, suppliers of goods or services to the Group or the Invested Entity, customers of the Group or the Invested Entity, person that provides technological support to the Group or the Invested Entity, shareholders of the Group or the Invested Entity, holders of any securities issued by the Group or the Invested Entity, advisor or consultant to the Group or the Invested Entity, and any non-controlling shareholder in the Company's subsidiaries.
3.	Maximum number of shares	The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date (i.e. 40,000,000 shares).
4.	Maximum entitlement of each participant	The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

		Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.
5.	Option period	The exercise period of the share options granted is determinable by the Board which shall not exceed ten years from the offer date subject to the provisions of early termination thereof. There is no minimum period for which a share option must be held before it can be exercised.
6.	Acceptance of offer	The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.
7.	Exercise price	The exercise price of share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares on the offer date.
8.	Remaining life of the scheme	It shall be valid and effective for a period of 10 years commencing on 3 June 2014.

All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.

More details of the share options are set out in note 33 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2020, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has entered into the following non-exempted continuing connected transactions:

During the year ended 31 December 2020, the Group had conducted the following connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Transactions	2020 HK$'000	2019 HK$'000
Non-exempt continuing connected transactions		
(i) Contract revenue from Pubang, a substantial shareholder of the Company	**2,622**	3,032
(ii) Subcontracting and referral fee to Pubang	**–**	–

Details of the continuing connected transactions in relation to the renewed cooperation agreement entered into between the Group and Pubang Landscape Architecture Company Limited (廣州普邦園林股份有限公司) have been disclosed in the announcements of the Company dated 14 March 2017 and 17 December 2019. The continuing connected transactions did not exceed the approved annual cap.

Annual review of the continuing connected transactions

The Directors (including all independent non-executive Directors) have reviewed the continuing connected transaction and confirmed that this transaction was entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreement governing it and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in its normal course of business are set out in note 42 to the consolidated financial statements in this annual report. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" of this report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, at least 25% of the Company's total issued share capital was held by public as required under the Listing Rules.

AUDITOR

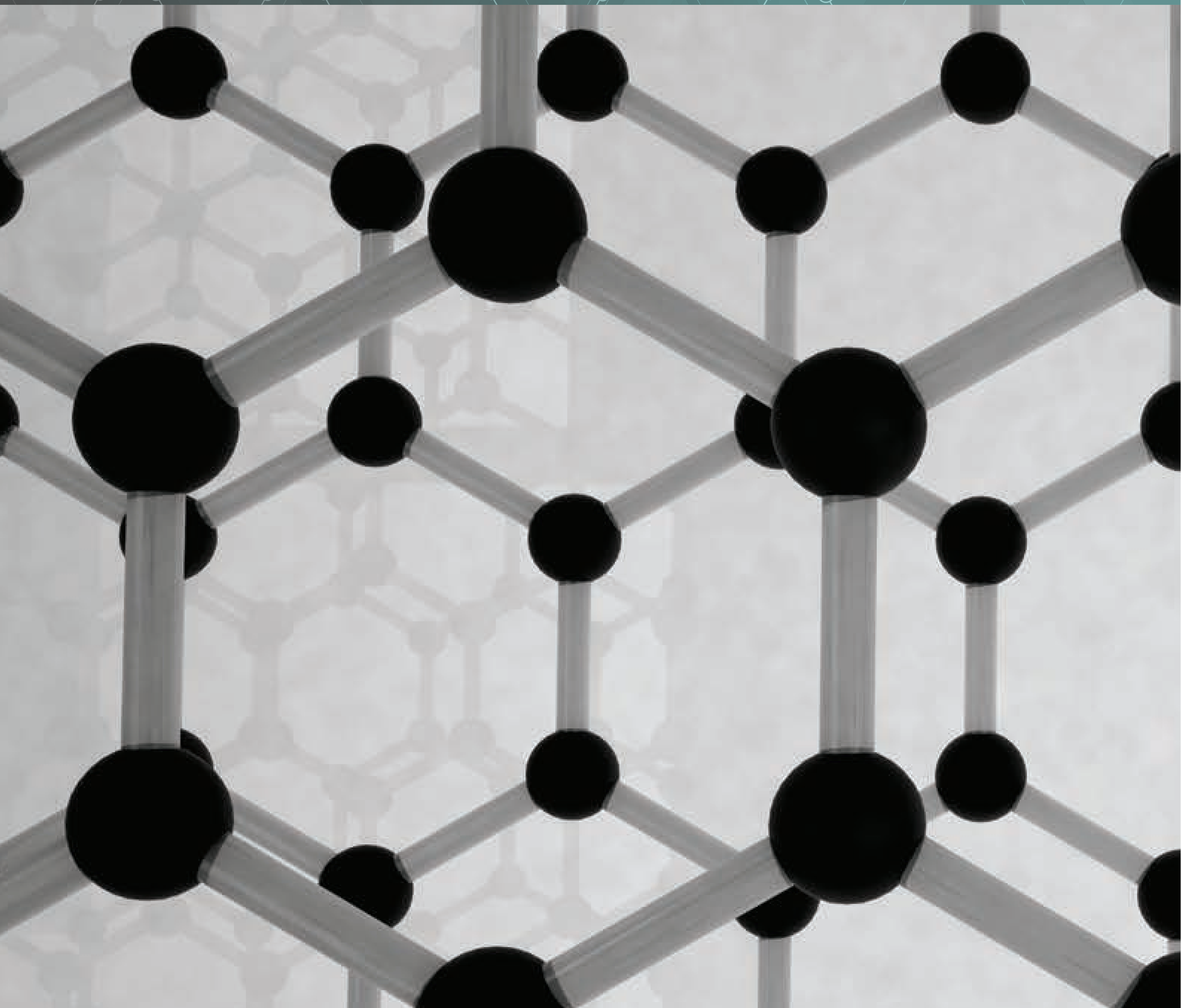
Crowe (HK) CPA Limited ("Crowe") was first appointed as new auditor of the Company on 12 September 2019 to fill the casual vacancy following the retirement of Ernst & Young until the conclusion of the annual general meeting of the Company on 15 June 2020.

The consolidated financial statements of the Company for the two years ended 31 December 2019 and 2020 were audited by Crowe while the consolidated financial statements for the preceding three years ended 31 December 2018 were audited by Ernst & Young.

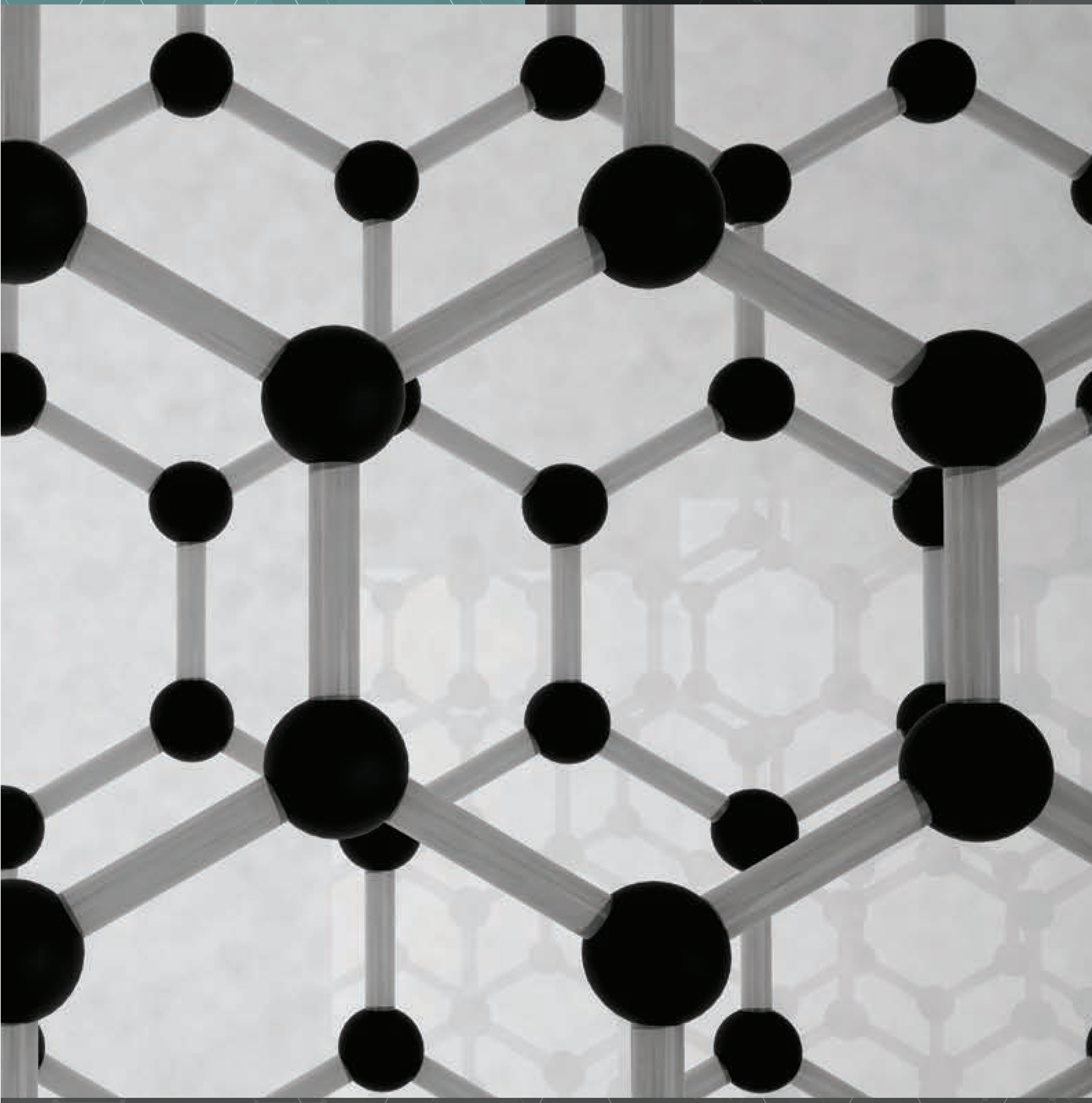
Crowe will retire and being eligible, offer themselves for re-election. A resolution for the reappointment of Crowe as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lau Hing Tat Patrick, JP
Chairman

Hong Kong, 30 March 2021



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

1.1. About the Group

Graphex Group Limited ("Earthasia" or the "Company") and its subsidiaries (collectively the "Group" or "we", "our") conduct graphene processing in the People's Republic of China ("PRC"), as well as landscape architecture and catering businesses in Hong Kong and PRC. More than ten offices were established in Mainland China and Hong Kong for our professional landscape business. The Group has obtained dual qualifications in Category A of Specific Landscape Engineering Design Qualification in landscape architecture from the Ministry of Housing and Urban-Rural Development of the PRC through two subsidiaries respectively in January and April 2019; the qualification allows the Group to undertake any specific landscape engineering design without restriction over project type or scale. Earthasia believes that landscape design is intricately connected to sustainability and will continue to support sustainability through professional environmental design. The Group's catering business is mainly represented by Thai restaurants, which are mainly managed and operated through the "Thai Gallery" brand.

1.2. About the Report

The fifth Environmental, Social and Governance ("ESG") Report of the Company (the "Report") continues to fulfil its ESG commitments by reporting the Group's up-to-date policies, measures and performances to allow stakeholders to understand the Group's direction of development. The Report is prepared in both the Chinese and English, and both versions of the Report have been uploaded to the websites of the Stock Exchange of Hong Kong ("SEHK") and the Group: www.graphexgroup.com. Details regarding the Group's corporate governance are provided in the Corporate Governance Report section of the Annual Report.

1.3. Reporting Boundary

The Report focuses on the Group's ESG performance between 1 January 2020 and 31 December 2020 (the "reporting period"). The reporting boundary includes the operations of landscape architecture business in all offices of the Group in Hong Kong and Mainland China and the catering business at one restaurant in the PRC. The reporting boundary this year newly includes the main graphene manufacturing facility in Heilongjiang facility, PRC.

Business segment	Entities in Reporting boundary
Graphene manufacturing	Hong Kong office, Heilongjiang facility
Landscape architecture	Hong Kong office, Shenzhen office, Guangzhou office, Beijing office, Changsha office, Xi'an office, Shanghai office, Wuhan office, Xiamen office, Changchun office, Qingdao office
Catering	Chengdu restaurant

1.4. Reporting Standard

The Report adheres to the four Reporting Principles (i.e. Materiality, Quantitative, Balance and Consistency) stated in the Environmental, Social and Governance Reporting Guide (the "Guide"). On the basis of 'comply or explain' provisions, important 'recommended disclosures' in the Guide have also been selected into disclosure for enhanced reporting contents.

In preparation of this Report, due diligence has been taken to adhere to the Reporting Principles stipulated in the ESG Reporting Guide:

- "Materiality" - The materiality assessment detailed on pg. 63 has ensured the Report addresses the most material ESG topics pertaining to our businesses.
- "Quantitative" - The Report strives to disclose quantitative metrics and related targets whenever possible, to demonstrate our impact.
- "Balance" - The Report presents an unbiased representation of our ESG management approach and performance. It avoids misleading omissions and presentation.
- "Consistency" - Whenever deemed material, the Report details the standards, tools, assumptions and/or source of conversion factors used, as well as explanations of any inconsistencies to previous reports.

1.5. Confirmation and Approval

Information contained in this Report was sourced from official documents and statistical data of the Group, and from managerial and operational information aggregated in accordance with systems of the Group. The Report was approved by the Board of Directors (the "Board") on 30 March 2021.

1.6. Opinion and Feedback

The Group welcomes any comments or suggestions from stakeholders on its ESG performance. Please contact the Earthasia's Company Secretary via the channels below:

Address: 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Phone: 2559 9438
Fax: 2559 9841

2. OUR ESG APPROACH

2.1. Governance Structure

The Board of Earthasia is responsible for the development of the Group's strategy, the supervision of its environmental and social performances and to ensure an effective and sound internal control and risk management system are in place. Through the director's committees, the Board formulates the strategies, supervises the implementation and to lead and guide the management. The Board delegates the power and duties to the management to supervise the Group's management, execution and administration. Under the leadership of the Chief Executive Officer ("CEO"), the management is responsible for the day-to-day operation, implementation of strategies approved by the Board and regular reporting to the CEO. The CEO then reports the progress of the approved strategies and the Group's development to the Board.

2.2. Stakeholder Engagement

We have always valued stakeholder engagement. Stakeholders' views and suggestions on the Group's ESG performance have been sought through organising various events throughout the reporting period. The Group believes that stakeholder engagement can help the Group to better identify risks and opportunities of different ESG aspects, and lead to refined management policies and practices. Stakeholder communication during the reporting period included:

Internal stakeholders	**External stakeholders**
Employees	Investors and shareholders, suppliers, the general public and communities, professional associations, government departments and other public bodies
Means of stakeholder engagement	
Regular meetings, emails, shareholder meetings, public consultations, internship programmes, industry conferences, community events, etc.	

2.3. Materiality Assessment

During the reporting period, the Group commissioned an external consultant to conduct a materiality assessment to identify the top ESG-related topics material to our operations. Taking into account of the industry landscape, a total of 21 potential material ESG topics were identified based on the content of the ESG Reporting Guide. In order to rank the materiality of the ESG topics, an online survey was distributed to internal and external stakeholders that asked them to score the importance of the topics to the Group's long-term business development.

Based on the survey results, the following ESG-related topics were the top-ranking in each category:

Category	ESG-related Topics
Environmental	• Responding to climate change risk
	• Energy management
	• Water management
Social	• Employment practices
	• Safe and healthy working environment
	• Training and development
	• Prevention of child labour and forced labour
Governance	• Anti-corruption
	• Protecting customer privacy
	• Protecting intellectual property rights

This report focuses on the disclosure of the ESG-related issues identified material by the stakeholders. This report discloses the corresponding management approach, initiatives and performance of each topic. The Group shall continue to further engage with the stakeholder groups, in order to gain a more comprehensive perspective on the materiality of the ESG-related issues.

3. AWARDS & RECOGNITION

As a testament to our continuous strive towards operational excellence, we have received the following awards and honours during the reporting period:

Award Name	Project	Award issuer
2020 Professional Landscape Awards	The Fangshan Wisdom Farm	The Hong Kong Institute of Landscape Architects
2020 Professional Landscape Awards	Restoration of Maozhou River	The Hong Kong Institute of Landscape Architects
Second Award of Shanghai Landscape Architectural Association	Wuxi Bodu River	Shanghai Landscape Architectural Association
Third Award of Shanghai Landscape Architectural Association	Zhangzhou West Lake Ecological Park Landscape Project	Shanghai Landscape Architectural Association
Third Award of Shanghai Landscape Architectural Association	China State Construction-Optics Valley Star Landscape Design	Shanghai Landscape Architectural Association
Recognition Award Jiangsu Landscape Architectural Association	Nanjing Himalayas	Jiangsu Landscape Architectural Association
Third Award of Wuxi Urban Planning	Wuxi Bodu River	Wuxi Urban Planning

4. OUR OPERATIONS

The Group is committed to business ethics and responsible service delivery. Through a sound operational system, the Group has therefore put in place a series of policies and measures on supply chain management, product responsibility and anti-corruption to safeguard the brand and market performance.

4.1. Product and service quality & safety

Graphene segment

Graphene, a thin layer of pure carbon atoms, is the thinnest and hardest nanomaterial known at present. With high thermal and electrical conductivity and excellent light transmission, it has broad application potential in electronics, optics, magnetism, biomedicine, catalysis, energy storage and sensors, as well as many other fields. To manufacture this "Black Gold', spherical and micronized graphite is needed as input material. As a leader in the graphite processing industry in China, the Group's Heilongjiang facility is engaged in the deep processing of raw graphite material (flake graphite and semi-spherical graphite) to spherical and micronized graphite. The facility ensures product quality through systematic control measures throughout the processing stages, while the safety of workers is safeguarded through safety policies (See Section: Employee Health & Safety).

Landscape architecture segment

The Group's landscape architecture segment operates by the Quality Management Manual in accordance with ISO 9001:2015 to enhance the management of design or services. In order to ensure that the final design meets the requirements of various stakeholders, the Group holds project meetings occasionally to understand the needs and suggestions of all parties and strictly complies with national and regional legal requirements in the project design process. The Group's management also reviews the status of projects from time to time to ensure that workflow is in accordance with relevant regulations. In future, the Group will also collect customer feedback and suggestions through the customer satisfaction survey form and carry out improvement work based on customers' feedback to improve the quality of projects and services.

All of the Group's landscape design work complies with relevant national or regional laws, regulations and guidelines (e.g. the Civil Engineering and Development Department's Guidelines on Safe Access for Slope Maintenance; the Architectural Services Department's Guidelines on Universal Accessibility for External Areas, Open Spaces and Green Spaces; and the GLTM Section's Proper Planting Practices and other latest relevant landscape and tree risk assessment guidelines) to ensure that the requirements on design safety and community health impacts are met.

Catering segment

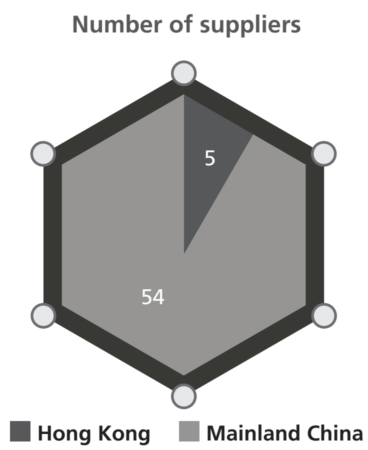
With regard to the Group's catering segment, the restaurant manager communicates with customers regularly to understand their opinions and suggestions, and arranges weekly staff trainings and daily meetings to review customer feedback from each platform in a timely manner to ensure service quality. In terms of the management of restaurants' raw food supply and inventory, the restaurants try to maintain the best food quality by avoiding the stocking of fresh ingredients overnight. For non-fresh ingredients (e.g. canned food), the warehouse shall ensure that the shelf life of food for stocking is not less than two-thirds of its total shelf life.

the Group requires all restaurants to check their suppliers' business licenses, food distribution permits and other relevant information to ensure the quality of their suppliers before making selection decisions. After the suppliers provided the ingredients, the warehouse and kitchen staff should sign, collect and check the ingredients' quality and specifications; if the ingredients fail to meet the relevant standards of the restaurant, staff should refuse to sign and return them to the supplier for processing.

4.2. Supply chain management

The Group attaches importance to the management of environmental and social risks in the supply chain and encourages suppliers to be environmentally and socially responsible. The Group has developed the Office Handbook, the Code of Conduct and the ESG Policy to standardise the Group's supplier selection process.

Currently, the Group's suppliers are mainly suppliers of raw graphite material, travel agencies, professional services, and food suppliers. For office procurement matters, relevant staff should fill in the Purchase Requisition Form and submit it to the Administration Department for confirmation before the procurement. Additionally, the Group also assesses suppliers irregularly to ensure that they comply with the Group's environmental and social requirements. With regards to the management of social risks of its supply chain, the Group strictly prohibits any individuals or organisations that are related to the Group, including suppliers, to offer employees illegal benefits which can affect their business decision-making. Offenders should be disqualified from supplier list.



4.3. Customer privacy

The Group's Office Handbook stipulates that, all employees are prohibited from disclosing customers' information, including but are not limited to customers' names, contact numbers and addresses, to any third parties without the consent of the employer or the Group. The Company also protects the personal data of its employees as required by the code of practice obligations and has set out the Company's Privacy Policy in its Office Handbook.

4.4. Intellectual property rights

The Group undertakes to sign non-disclosure agreements with its clients in the course of cooperation to ensure the intellectual property rights of both parties are not infringed. For the time being, the Group's operations do not involve matters relating to product advertising, labels using and customer complaints. The Group will update the relevant policies in accordance with its business development in a timely manner.

4.5. Anti-corruption

The Group understands anti-corruption is not only a social expectation towards corporations, but also an important way for corporations to undertake social responsibility. Through the formulation of the Code of Conduct, the Group is committed to fighting against corruption.

As stated in the Code of Conduct, the Group strictly prohibits any bribery or corruption. All employees are forbidden to accept benefits from third parties individual or organisation. Under certain circumstances, employees can accept promotional gifts, souvenirs or holiday gifts (not exceeding HKD500). Should the employees violate the above rule, they may face prosecution or internal disciplinary action.

The Group holds training activities related to the Code of Conduct annually to increase employee's knowledge on anticorruption.

4.6. Community development

The Group understands that the development of a corporation cannot achieved without the support from local communities. Through the formulation of the ESG Policy, the Group strives to offer more support to local communities in which it operates. The Group's vision on community development is to lead the new generation of integrated recreation, care community development in order to solve the severe problem of aging society; and provide inspirational children's play facilities and a family-oriented leisure ambience. We have already designed several recreation-care communities in the PRC which complements Earthasia's vision and design concept.

In addition, we strongly support educational and community development. During the reporting period, Earthasia invited 7 university students to intern at the Group, strengthening their skills and business capacity in landscape design and helping them adapt to the needs of the community. While Landscape Architecture staff at our ShangHai office engaged in ShangHai Red Cross' blood donation activity, where they contributed a total of 404 hours.

5. OUR EMPLOYEES

Earthasia believes that a good employment environment is one of the key steps in promoting the Group's sustainable development. The Group is committed to creating a safe and comfortable working environment for its employees, providing a sound career development system to ensure all employees are respected and motivated.

5.1. Employment Practices

A sound employment system is not only the key to attract the Group's talent, but also an important security for employee's rights and interests. The Group has formulated the ESG Policy, Office Handbook and the Staff Handbook adopted by all operational sites to improve the Group's regulations on remuneration and dismissal, recruitment and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination and other benefits.

Details of the above policies include:

Compensation and dismissal	Recruitment and promotion	Working hours
The employment contract signed by each employee of the Group must clearly specify the remuneration package of the position and set out the termination procedures and conditions of dismissal (e.g. serious misconduct). Each site of operation also has its own Staff Handbook, which is updated in a timely manner. For example, the restaurants' Staff Handbook states that the employee's wages include basic wages, position pay, and overtime pay; if a regular employee resigns, the resignation application should be filled out 30 days in advance and reported to all levels of management for approval.	The Group's management conducts an annual performance review of its staff and determines the promotion based on their performance. In addition, the restaurants' Staff Handbook states that recruitment is based on the principle of "open recruitment, merit-based selection"; promotion decisions are based on daily performance and are reviewed by the Human Resources Department and approved by the general manager.	The Group's normal working hours are 8 hours per day, 5 days per week, with a 1-hour lunch break, while the average working duration for staff in restaurants are 6 days per week.

Leave	Equal opportunities and anti-discrimination	Diversity
The Group strictly follows the relevant local laws and regulations in the respective sites of operation and makes reasonable arrangements for employees' holidays, such as annual leave and sick leave.	The Group is committed to providing fair employment opportunities for all employees and prohibits all forms of discrimination and harassment on the basis of race, skin colour, religion, sex, physical condition, marriage and family and national origin. The Company has equal opportunities clauses contained in the Office Handbook.	The Group is committed to creating an atmosphere of diversity in the workplace and encouraging the employment of staff from diverse backgrounds. In the reporting period, six employees of foreign nationalities were employed in the Group's Hong Kong office.

Other benefits	Prevention of child labour	Prohibition of forced labour
The Group has provided additional benefits to its employees, including medical insurance and overtime subsidies. In addition, restaurants have provided staff quarters, staff meals and year-end bonuses to its employees.	The Group is committed to preventing child labour in the workplace. Child workers should leave from the workplace as soon as they are discovered, and their contracts should be terminated.	The Group ensures all employment relationships are voluntary and prohibits any forms of forced labour.

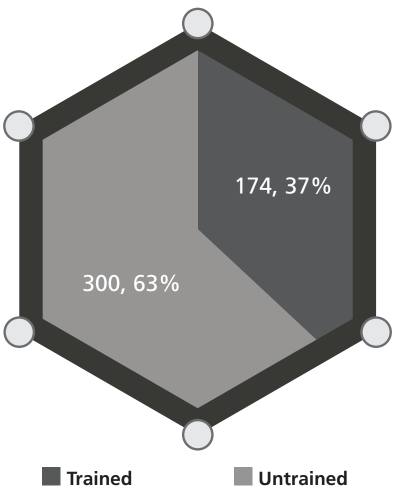
5.2. Employee development and Training

It is important for employees to enhance their working skills for the development of their future career paths. The Group values the development of its employees and provides training opportunities in order to support them in gaining knowledge and skills on performing relevant jobs. Such trainings are managed through the ESG Policy.

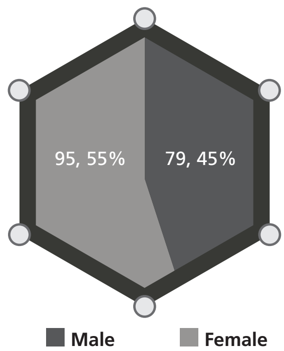
Training activity	Performance review
During the reporting period, the Group's employees received induction training and technical training on topics such as construction drawing quality verification. Seminars on NEC (New Engineering Contract) were also held for our Hong Kong staff.	The Group conducts an annual performance review to assess the performance of its employees and to serve as a basis for determining their future promotion and direction of training.

During the reporting period, the Group achieved the following indicators of employee development and training.

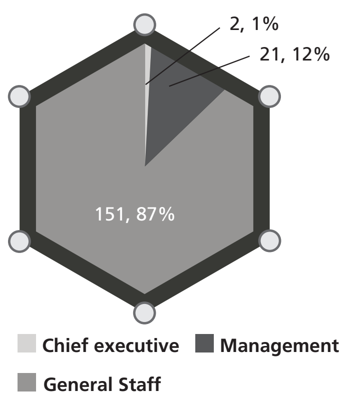
Number and percentage of staff that receiving training



Number and percentage of staff that received training by gender



Number and percentage of staff that received training by employment category



5.3. Employee Health and Safety

The Group places the health and safety of its employees as top priority. At our graphene processing plant, our safety policy governs the mechanisms in place to ensure occupational risks are minimized. The following outlines major safety protocol and measure the plant implements:

Worker safety	**Storage safety**
All new workers at the processing plant is required to receive and pass the three-tier safety training. For personnel in charge of critical equipment and facilities, they are required to obtain operating certificates in accordance with relevant national regulations. To protect workers against dust hazards, the plant adopts the latest technology, such as a negative pressure system that ensures the effective delivery of fresh air. All personal protection equipment (PPE) provided to employees meet national or industry standards.	The input material required for operations are stored in special areas that meet relevant conditions, such as in terms of sun and moisture protection, ventilation, lightning protection, anti-static features etc. The storage areas are equipped with fire-fighting equipment and communication and alarm devices.

Equipment safety	**Accident prevention**
The input, intermediate and output products used in the operation process generates graphite powder. Although there is no risk of dust explosion, it is able to penetrate surrounding electrical equipment and cause short circuits and electric shock accidents. Thus, all electrical equipment in the vicinity are inspected and cleaned frequently to prevent such damage. The mechanical equipment used during operations are mainly high-pressure centrifugal fans, shut-off fans, filter presses, automatic packaging machines, etc, which are all qualified products with safety protection devices.	The plant has established safety prevention mechanisms at all levels. Front-line workers have reporting channels available to report potential safety issues in a timely manner. Safety management personnel ensure the reported issues are addressed and rectified by the maintenance team. In addition, the safety team engages in regular safety risk assessments to identify and mitigate potential safety hazards. In the event of an accident, the emergency plan is immediately activated and each case is investigated thoroughly to identify the root causes to avert against similar cases in the future.

At our offices and restaurants, the Staff Handbook gives guidance to employees on handling occupational safety matters. For example, if old, worn or loose wiring is spotted, the relevant personnel should immediately notify the department head or an electrician; chefs should always pay attention to the safety of using oil and cooking utensils and check that all equipment is properly shut down before leaving work; if an accident occurs, the relevant personnel should immediately notify the general manager and personnel department and escort the injured to the hospital.

5.4. Covid-19 measures

In response to the Covid-19 outbreak, we have taken a range of actions and measures to ensure business resilience, as well as ensure the safety of our employees and customers. The actions we implemented include but are not limited to:

- We integrated pandemic risks into the enterprise risk management mechanism. We constantly explore diversified businesses to avoid concentration in few business sectors or regions. Moreover, we included Covid-19 reporting and management guidelines in business continuity plans.
- We embraced new communications technologies to facilitate seamless communication for business continuity. During the reporting period, we have made extensive usage of the Zoom infrastructure.
- We provided protective and disinfection products such as face masks, alcohol-based hand sanitisers, bleach, cleansers and gloves at the workplace.
- We adopted special work arrangements, such as work-from-home policies and/or flexible working hours (to avoid peak hour travelling).
- With regard to our catering segment, we conducted more frequent disinfection cleaning, and as well as provided protective and disinfection products to customers at our restaurants.

6. OUR ENVIRONMENT

The Group is dedicated to mitigating the negative environmental impacts associated with its operation. As a result, the Group places high importance on the environmental management of its operation, where the ESG policy sets out the Group's management approach on use of resources, emission management, and natural resources.

6.1. Reasonable Use of Resources

The Group is committed to maximising resources use and conservation to the utmost. The following are the measures of resource conservation:

Type of resources	Measures of conservation
Electricity	• Set the air conditioning temperature to 24-26 degrees Celsius. • Regular maintenance of air-conditioning to ensure its efficient operation; and • Set the computer monitor to the appropriate brightness and automatically go into hibernation if it is unused for a long period of time
Gasoline	• Encourage staff to choose event venues nearby to reduce long distance travel.
Paper	• Use recycled paper or FSC-certified paper for office use; and • Encourage staff to use electronic communication tools for communication and reduce paper use.
Water	• Install a water tap sensor to automatically control the switch; and • Check the working condition of the faucet regularly, and report and repair in a timely manner if any problems were found.

During the reporting period, the operations of our graphene, landscape architecture and catering segments consumed an equivalent of 1,058.1 MWh of energy, with the new graphene segment contributing 33% of total energy consumption, primarily due to its electricity use in manufacturing processes.

Energy consumption	Unit	Graphene	Landscape	Catering
Direct energy	MWh	24.2	76.7	121.6
– Gasoline	MWh	24.2	76.7	0
– Natural gas	MWh	0	0	121.6
Indirect energy	MWh	323.2	373.2	139.2
– Electricity	MWh	323.2	371.1	139.2
– Heat	MWh	0	2.1	0
Total energy consumption	MWh	347.4	449.9	260.8
Gross Floor Area (GFA)	m^2	2275	4532	671
Energy intensity (per GFA)	MWh/m^2	0.15	0.10	0.39

During the reporting period, the Group consumed a total of 5179 m^3 of water for its landscape and catering business segments. Regarding our graphene segment, no data is available as we withdraw groundwater from a local well, rather than from municipal supplies.

Water consumption	Unit	Graphene[1]	Landscape	Catering
Water consumption	m^3	N/A	1064	4115
Water intensity (per GFA)	m^3/m^2	N/A	0.23	6.13

6.2. GHG (Greenhouse gas) emissions

In support for the Paris Agreement goal of limiting global warming, the Group strives to reduce its carbon footprint. Our carbon footprint has been quantified as below, with reference of the Guideline compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong and the GHG Protocol.

During the reporting period, the Group's total GHG emissions amounted to 1,024 tonnes of carbon dioxide equivalent (tCO_2e), with the new Graphene segment contributing 35%. Scope 1 emissions contributed 5%, which includes fuel use from vehicles and restaurant facilities. Scope 2 emissions includes indirect GHG emissions from electricity and heat purchased, which accounted for 79%. For Scope 3, the Group included indirect emissions from business travels of its employees, which accounted for 16%.

GHG emissions	Unit	Graphene	Landscape	Catering
Scope 1	tCO_2e	6.6	20.9	24.6
– Stationary combustion	tCO_2e	0	0	24.6
– Mobile combustion	tCO_2e	6.6	20.9	0
Scope 2	tCO_2e	356.2	326.4	125.5
– Electricity	tCO_2e	356.2	300.7	125.5
– Heat	tCO_2e	0	25.7	0
Scope 3	tCO_2e	0	163.7	0
– Business travels	tCO_2e	0	163.7	0
Total GHG emissions	tCO_2e	362.8	511.0	150.1
GHG intensity (per GFA)	tCO_2e/m^2	0.16	0.11	0.22

6.3. Air Emissions

The major air pollutants that are released from the Group's operations includes nitrogen oxides ("NOx"), sulphur oxides ("SOx"), and respirable suspended particulates ("RSP") from the use of vehicles and natural gas. For the graphene factory, the major air pollutants generated are acid and vapour discharged from the reactor. The exhaust gas is collected by an acid mist absorption tower, where the acidic components are removed by spraying with alkaline solution.

Air emissions	Unit	Graphene	Landscape	Catering
Nitrogen oxides	kg	2.00	4.02	32.29
Sulphur oxides	kg	0.04	0.12	0.28
RSP	kg	0.15	0.30	1.41

The Group is working towards improving the performance on reducing air emissions, including studying the feasibility in monitoring air quality and setting emission reduction targets according to the historical emission data.

1 Including the Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

6.4. Waste

During the reporting period, the Group generated a total of 13,035.4 tonnes of hazardous waste, which was composed of waste chemicals and graphite residues from graphite processing, as well as waste batteries and electronic equipment. All hazardous waste are handled by authorised contractors according to local regulations, while graphite residues were resold to third-parties. With regard to non-hazardous waste, the Group generated a total of 71.7 tones that was composed of general waste and recycled metal, plastic and paper.

Waste generated	Unit	Graphene	Landscape	Catering
Hazardous waste	tonnes	13035.4	0.0819	0
Hazardous waste intensity (per GFA)	tonnes/m^2	5.73	0.00002	0
Non-hazardous waste	tonnes	1.95	7.70	62.08
– General waste	tonnes	1.95	6.43	62.08
– Recycled	tonnes	0	1.27	0
Non-hazardous waste intensity (per GFA)	tonnes/m^2	0.00086	0.0017	0.093

In the graphite processing facility, another solid waste generated is sewage sludge separated after the neutralisation of the sewage. A sewage treatment station was built for the neutralisation treatment, where some of the treated wastewater is reused and some would be discharged. The sludge is collected and used for brick burning or road paving to avoid disposal and wastage.

In order to reduce non-hazardous waste from source and encourage recycling, the Group has placed recycling bins for waste recycling. For food waste, oil and other waste, qualified contractors were assigned for collection and disposal. To reduce the amount of food waste generated, restaurants would monitor the status of food waste closely, adjust the portion and quality of food in a timely manner, and provide reduced-portions dishes according to customers' preference.

6.5. Protecting the Environment and Natural Resources

6.6. Noise

Noise pollution is one environmental impact arising from the graphite processing facility. The major source of noise in the facility is the air compressor, which is installed in an isolated room. To mitigate the impact of noise, the facility selects advanced technology and equipment with low noise. Noise absorption and shock absorbing measures are also implemented. For example, the compressor outlet is equipped with a resistant muffler that reduces the noise level by around 30dB.

6.7. Other natural resources

In all landscape design projects, the Group adheres to the principles of protecting natural habitats, and biodiversity conservation, in order to reduce the impact on natural resources and surrounding environment. In various projects with landscape builders, the Group also promotes the use of renewable energy in all possible circumstances. A complaint mechanism is also established to handle and respond to environmental-related comments and suggestions in a timely manner.

6.8. Case Study 1: Blue-green infrastructure

Blue-green infrastructure (BGI) is defined by the European Commission as a 'strategically planned network of natural and semi-natural areas with other environmental features designed and managed to deliver a wide range of ecosystem service'. In practice, BGI strives to create sustainable cities that bring the area's water management and green infrastructure together to provide resilience against flood risks. The "Blue" side often refers to effective drainage systems and rainwater harvesting, while the "Green" side refers to greenery, biodiversity and aesthetic improvements.

The Group's Landscape Architecture segment has been steadily expanding its portfolio scope to include projects that more heavily integrate BGI principles. With regard to the "Green" side, the Group is proud to have developed a Street Tree Selection Guide, as part of the Phase 1 street ecology study commissioned by the Development Bureau of Hong Kong. The study sought to contribute to the sustainable long-term management of our street trees and forms part of government's overall efforts in supporting the Hong Kong Biodiversity Strategy and Action Plan (BSAP) and the Hong Kong's Climate Action Plan 2030+ (CAP). The Group is currently in progress with the Phase 2 study, which aims to determine optimal soil conditions for urban street trees. With regard to the "Blue" side, the Group employs an array of stormwater management landscape strategies in our projects, such as rain gardens, infiltration trenches, bioswales, bio-retention tree wells, and permeable pavement systems.

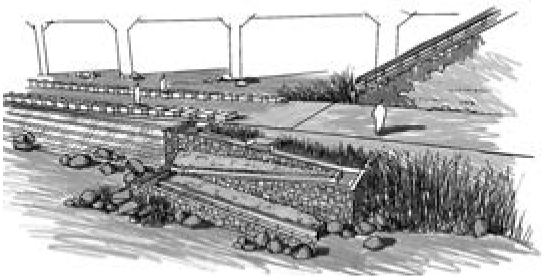
6.9. Case Study 2: Restoration of Maozhou River, Shenzhen

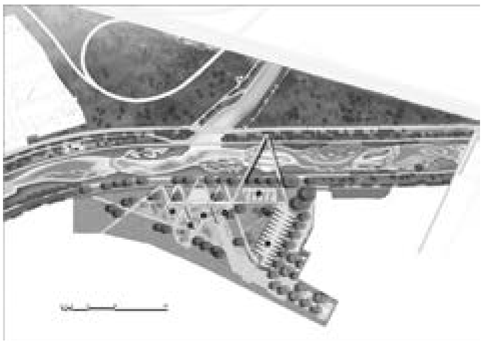
Maozhou River is one of the biggest rivers in Shenzhen, China. Unfortunately, due to the rapid urbanisation and economic development in the past decades, the carrying capacity of the river became saturated. The river eventually became one of the most polluted rivers in Guangdong Province. Since 2013, the local authorities devoted around 120 billion yuan into the pollution treatment of Maozhou River, as well as the landscape enhancement in the surrounding areas. The Group was appointed to take part in the restoration project of Maozhou River, providing end-to-end consultancy services from design to construction on-site.

The restoration project was implemented with nature-based solution, in order to restore the natural ecology of the river to enhance biodiversity, and create a harmonious environment for both people and the ecosystem. The restoration strategies include the following:

- Recreated biodiversity though increasing sinuosity of the river;
- Increased the depth of water and speed of water flow through damming;
- Implemented ecoengineering methods to strengthen the river foundation;
- Conducted vegetation habitat planning to improve plant biodiversity
- Created a safe and friendly-access environment to the river for families

The project was a huge success in restoring the ecosystem and increasing the biodiversity of the surrounding areas. Different species such as egrets, Chinese pond heron, and various types of dragonflies have returned to Maozhou River. In recognition of the efforts and contribution to restoring the natural habitats of Maozhou River, the Group was awarded "2020 Professional Landscape Awards" by the Hong Kong Institute of Landscape Architects.





7. KPI SUMMARY

7.1. Environmental performance

	Unit	2020
	Air emissions	
Nitrogen oxides (NOx)	kg	32.29
Sulphur oxides (SOx)	kg	0.28
RSP	kg	1.41
	GHG emissions	
Total GHG emissions (Scope I,II,III)	tCO_2e	1,024
GHG intensity	tCO_2e/m^2	0.14
	Hazardous waste	
Total hazardous waste generated	tonne	13,035
Hazardous waste intensity	tonne/m^2	1.74
	Non-hazardous waste	
Total non-hazardous waste generated	tonne	72
Non-hazardous waste intensity	tonne/m^2	0.01
	Energy consumption	
Total energy consumption	MWh	1,058
Energy intensity	MWh/m^2	0.14
	Water consumption	
Total water consumption	m^3	5,179
Water intensity	m^3/m^2	1.00

7.2. Social performance

		Unit	2020
	Number of employees		
Overall		persons	474
By Gender	Male	persons	250
	Female	persons	224
By Employment Type	Full-time	persons	461
	Part-time	persons	13
By Employment Category	Chief executive	persons	3
	Management	persons	35
	General staff	persons	436
By Age Group	30 or below	persons	207
	31 – 40	persons	133
	41 – 50	persons	65
	51 or above	persons	69
By Geographical Region	Hong Kong	persons	50
	Mainland China	persons	424
	Turnover Rate		
Overall		%	37.8
By Gender	Male	%	37.2
	Female	%	37.5
By Age Group	30 or below	%	45.4
	31 – 40	%	31.6
	41 – 50	%	15.4
	51 or above	%	44.9
By Geographical Region	Hong Kong	%	30.0
	Mainland China	%	38.2
	Percentage of employees trained		
Overall		%	36.7
By Gender	Male	%	31.6
	Female	%	42.4
By Employment Category	Chief executive	%	66.7
	Management	%	60.0
	General staff	%	34.6
	Average Training Hours		
Overall		hours / person	3.4
By Gender	Male	hours / person	2.8
	Female	hours / person	3.9
By Employment Category	Chief executive	hours / person	4.3
	Management	hours / person	5.6
	General staff	hours / person	3.2

	Unit	2020
Occupational safety		
Number and rate of work-related fatality	cases	0
Number of work-related injuries	cases	0
Number of days lost due to work injury	cases	0
Number of suppliers		
Hong Kong	Number	5
Mainland China	Number	54

8. COMPLIANCE PERFORMANCE

Aspect	Laws and regulations that may have a significant impact on the Group	Compliance performance
Emissions	Environmental Protection Laws of the PRC; The Law of the PRC on the Prevention and Control of Water Pollution; The Law of the PRC on the Prevention and Control of Atmospheric Pollution; Air Pollution Control Ordinance; Waste Disposal Ordinance; Water Pollution Control Ordinance	The Group did not identify any non-compliance cases.
Employment	Production Safety Law of the PRC; Prevention and Treatment of Occupational Diseases Law of the PRC; Occupational Safety and Health Ordinance	The Group did not identify any non-compliance cases.
Health and Safety	Production Safety Law of the PRC; Prevention and Treatment of Occupational Diseases Law of the PRC; Fire Control Law of the PRC; Occupational Safety and Health Ordinance; Employees' Compensation Ordinance	The Group did not identify any non-compliance cases.
Labour Standards	Labour Law of the PRC; The Law of the PRC on the Protection of Minors; Employment Ordinance; Occupational Safety and Health Ordinance	The Group did not identify any non-compliance cases.
Product Responsibility	Product Quality Law of the PRC; Patent Law of the PRC; Trade Descriptions Ordinance	The Group did not identify any non-compliance cases.
Anti-corruption	Anti-Unfair Competition Law of the PRC, Anti-Money Laundering Law of the PRC; Prevention of Bribery Ordinance, Anti-Money Laundering and Counter-Terrorist Financing Ordinance	The Group did not identify any cases of non-compliance nor was there any concluded legal cases regarding corruption practices brought against it or its employees

9. ESG CONTENT INDEX

Aspect/Description/KPI		Section/Statement
A. Environment		
A1 Emission		
A1	General Disclosure	
	(a) the policies	*Our Environment*
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	*Compliance Performance*
A1.1	Types of emissions and respective emissions data	*Air Emissions; KPI Summary*
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	*GHG (Greenhouse gas) emissions; KPI Summary*
A1.3	Total hazardous waste produced and, where appropriate, intensity	*Waste; KPI Summary*
A1.4	Total non-hazardous waste produced and, where appropriate, intensity	*Waste; KPI Summary*
A1.5	Description of emission target(s) set and steps taken to achieve them.	*Air Emissions; GHG (Greenhouse gas) emissions*
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	*Waste*
A2 Use of Resources		
A2	General Disclosure	*Our Environment*
A2.1	Direct and/or indirect energy consumption by type in total and intensity	*Reasonable Use of Resources; KPI Summary*
A2.2	Water consumption in total and intensity	*Reasonable Use of Resources; KPI Summary*
A2.3	Description of energy use efficiency initiatives and results achieved	*Reasonable Use of Resources*
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	*Reasonable Use of Resources*
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	*As identified by our ESG materiality assessment, packaging is not a material issue to our operations. Thus, we do not disclose data. this reporting period.*

Aspect/Description/KPI		Section/Statement
A3 The Environment and Natural Resources		
A3	General Disclosure	*Protecting the Environment and Natural Resources*
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	*Protecting the Environment and Natural Resources*
A4 Climate Change		
A4	General Disclosure	*Protecting the Environment and Natural Resources*
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	*Protecting the Environment and Natural Resources*
B. Social		
B1 Employment		
B1	General Disclosure	
	(a) the policies	*Employment Practices*
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	*Compliance Performance*
B1.1	Total workforce by gender, employment type, age group and geographical region	*KPI Summary*
B1.2	Employee turnover rate by gender, age group and geographical region	*KPI Summary*
B2 Health and Safety		
B2	General Disclosure	
	(a) the policies	*Employee Health & Safety*
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	*Compliance Performance*
B2.1	Number and rate of work-related fatalities	*KPI Summary*
B2.2	Lost days due to work injury	*KPI Summary*
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	*Employee Health & Safety*

Aspect/Description/KPI		Section/Statement
B3 Development and Training		
B3	General Disclosure	*Employee development & Training*
B3.1	Percentage of employees trained by gender and employee category	*KPI Summary*
B3.2	Average training hours completed per employee by gender and employee category	*KPI Summary*
B4 Labour Standard		
B4	General Disclosure	
	(a) the policies	*Employment Practices*
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	*Compliance Performance*
B4.1	Description of measures to review employment practices to avoid child and forced labour	*Employment Practices*
B4.2	Description of steps taken to eliminate such practices when discovered	*Employment Practices*
B5 Supply Chain Management		
B5	General Disclosure	*Supply chain management*
B5.1	Number of suppliers by geographical region	*Supply chain management; KPI Summary*
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	*Supply chain management*
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	*Supply chain management*
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	*Supply chain management*

Aspect/Description/KPI		Section/Statement
B6 Product Responsibility		
B6	General Disclosure (a) the policies (b) compliance with relevant laws and regulations that have a significant impact on the issuer	 *Our Operations* *Compliance Performance*
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	*There were no products sold or shipped subject to recalls for safety and health reasons during the reporting period.*
B6.2	Number of products and service related complaints received and how they are dealt with.	*There were no products and service related complaints received during the reporting period.*
B6.3	Description of practices relating to observing and protecting intellectual property rights	*Intellectual property rights*
B6.4	Description of quality assurance process and recall procedures.	*Product and service quality & safety*
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	*Customer privacy*

Aspect/Description/KPI		Section/Statement
B7 Anti-Corruption		
B7	General Disclosure (a) the policies (b) compliance with relevant laws and regulations that have a significant impact on the issuer	*Anti-corruption* *Compliance Performance*
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the year and the outcomes of the cases	*Compliance Performance*
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	*Anti-corruption*
B7.3	Description of anti-corruption training provided to directors and staff.	*There were no anti-corruption training provided to directors and staff this reporting period.*
B8 Community Investment		
B8	General Disclosure	*Community development*
B8.1	Focus areas of contribution	*Community development*
B8.2	Resources contributed	*Community development*

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF GRAPHEX GROUP LIMITED
(formerly known as Earthasia International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Graphex Group Limited (formerly known as Earthasia International Holdings Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 219, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

During the year ended 31 December 2020, the Group incurred a loss attributable to owners of the parent of HK$91,696,000 and, as at 31 December 2020, the Group's current liabilities exceeded its current assets by HK$54,434,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in this respect.

Subsequent to 31 December 2020, the Company has entered into a subscription agreement with the subscriber for the issue of convertible notes and warrants up to the aggregate amount not exceeding USD15 million on 19 January 2021; and the Company has already issued and received proceeds of convertible notes with an aggregate amount of USD2 million. Based on the forecasted cash flows prepared by management of the Group for the next twelve months after 31 December 2020, the directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due in the next twelve months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition of landscape design services	
During the year, revenue from landscape design service contracts accounted for 38.4% (2019: 49.1%) of the Group's total revenue. Revenue from these contracts was recognised progressively over time by reference to the percentage of completion measured using the input method and based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design services. The measurement of the value of contract work, based on percentage of completion involves a significant amount of judgement by management; with estimates of the budgeted total costs, expected total contract revenues and the stage of completion of the contracts. The subjectivity involved in these judgements could lead to different amounts of profit and revenue being reported in the financial statements. The disclosures about revenue recognition are included in notes 2.4, 3 and 5 to the consolidated financial statements.	We performed the following procedures, among others: • obtained an understanding of management's processes for estimating total contract costs and forecast costs to completion, including taking into account the historical accuracy of such estimates; • evaluated and tested the operating effectiveness of relevant internal controls, including project controls over contract profitability and construction progress performed; • performed procedures for key contracts with respect to project calculations and result forecasts and management's assessment thereof, which included a comparison between the budgeted and actual cost information; • corroborated management's position through examination of externally generated evidence, such as customer correspondences and the project supervisor's progress reports.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of trade and bills receivables and contract assets	
As at 31 December 2020, trade and bills receivables and contract assets of the Group amounted to HK$69,808,000 (2019: HK$108,110,000) and HK$47,547,000 (2019: HK$47,391,000), net of provision for lifetime expected credit losses of approximately HK$48,842,000 (2019: HK$35,686,000) and HK$68,114,000 (2019: HK$51,787,000), respectively. Loss allowances for lifetime expected credit losses of trade and bills receivables and contract assets are based on management's estimates, taking into account the past bad debt loss experiences, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forward looking information such as forecast of future economic conditions, all of which involve a significant degree of management judgement. Relevant disclosures are included in notes 2.4, 3, 6, 20 and 23 to the consolidated financial statements.	Our audit procedures included assessing and testing the Group's processes and key controls relating to the monitoring of trade and bills receivables and contract assets and the granting of credit terms and contract terms relating to billing milestones. We also tested the ageing analyses and obtained direct confirmations for samples of customer receivable balances. We then evaluated the adequacy of the Group's provision for impairment of trade receivables and contract assets by reference to the Group's historical default data, past payment history, the historical loss rates as adjusted for the current economic condition and forwardlooking information and the actual losses recorded during the current financial year and subsequent settlements after the reporting period end. We also considered the adequacy of the disclosures, in particular those included in notes 20 and 23.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill, other intangible assets, and property, plant and equipment	
As at 31 December 2020, the aggregated carrying amount of goodwill, other intangible assets and property, plant and equipment of the Group after impairment was HK$833,782,000 (2019: HK$863,235,000). During the year, impairment losses of HK$3,112,000 (2019: HK$2,307,000), HK$20,047,000 (2019: HK$9,272,000) and HK$2,125,000 (2019: HK$3,522,000) were made against goodwill, other intangible assets and property, plant and equipment, respectively. Impairment is determined by assessing the recoverable amounts of the respective cash-generating-unit ("CGU") to which the goodwill, other intangible assets and property, plant and equipment are allocated. The recoverable amount of each of the CGUs is the higher of value in use and the fair value less costs to sell. For the year under review, the recoverable amount of each of the CGUs have been determined based on the respective CGU's fair value less costs to sell, using cash flow projections specific to that CGU and applying a discount rate which reflects specific risks relating to that CGU, with the assistance from an independent professionally qualified valuer. The impairment testing of goodwill, other intangible assets and property, plant and equipment required management to make certain estimates and assumptions that involve significant management's judgement and estimation uncertainties. Relevant disclosures are included in note 2.4, 3, 13, 14 and 15 to the consolidated financial statements, respectively.	We performed the following procedures, among others: • evaluated management's identification of CGUs, the allocation of assets to each CGU identified and the impairment assessment methodology adopted by management; • assessed the reasonableness of the key assumptions adopted by management in the preparation of the discounted cashflow forecasts, including the pre-tax discount rate, annual revenue growth rate for the 5-year period and gross profit rate, long term growth rate of each CGU and comparing actual results for the year against the previous period forecasted results prepared by management of each CGU subject to impairment assessment, by taking into consideration of market trends and management's future plan; and • reviewed the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. Our report is made 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.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2021

Liu Mok Lan, Cliny
Practising Certificate Number P07270

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**388,852**	313,941
Cost of sales	6	**(231,834)**	(167,582)
GROSS PROFIT		**157,018**	146,359
Other income and gains	5	**12,335**	12,023
Selling and marketing expenses		**(13,823)**	(27,433)
Administrative expenses		**(156,869)**	(142,616)
Impairment losses on financial and contract assets, net	6	**(22,975)**	(6,617)
Impairment loss of property, plant and equipment	13	**(2,125)**	(3,522)
Written off of goodwill	14	**(3,112)**	(2,307)
Impairment loss of other intangible assets	15	**(20,047)**	(9,272)
Fair value loss on financial assets at fair value through profit or loss		**(1,201)**	(2,926)
Finance costs	7	**(51,565)**	(27,419)
Share of loss of joint ventures	16	**(114)**	—
Share of loss of associates	17	**(419)**	(1,072)
LOSS BEFORE TAX	6	**(102,897)**	(64,802)
Income tax credit/(expense)	10	**6,905**	(602)
LOSS FOR THE YEAR		**(95,992)**	(65,404)
Attributable to:			
Owners of the parent		**(91,696)**	(57,082)
Non-controlling interests		**(4,296)**	(8,322)
		(95,992)	(65,404)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For loss for the year		**(19.4 cents)**	(12.9 cents)
Diluted			
– For loss for the year		**(19.4 cents)**	(12.9 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
LOSS FOR THE YEAR	**(95,992)**	(65,404)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**42,427**	(3,473)
Release of exchange fluctuation reserve upon disposal of subsidiaries	**(70)**	—
	42,357	(3,473)
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
– Changes in fair value	**365**	(2,015)
– Income tax effect	**(29)**	46
	336	(1,969)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**42,693**	(5,442)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(53,299)**	(70,846)
Attributable to:		
Owners of the parent	**(49,174)**	(62,742)
Non-controlling interests	**(4,125)**	(8,104)
	(53,299)	(70,846)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**92,507**	92,450
Goodwill	14	**101,939**	105,051
Other intangible assets	15	**639,336**	665,734
Investments in joint ventures	16	**—**	—
Investments in associates	17	**854**	1,212
Equity investments designated at fair value through other comprehensive income	18	**1,235**	870
Prepayments and deposits	21	**3,387**	3,471
Deferred tax assets	31	**2,475**	185
Total non-current assets		**841,733**	868,973
CURRENT ASSETS			
Inventories	19	**28,323**	24,423
Trade and bills receivables	20	**69,808**	108,110
Prepayments, other receivables and other assets	21	**72,347**	47,283
Financial assets at fair value through profit or loss	22	**—**	1,194
Contract assets	23	**47,547**	47,391
Tax recoverable		**556**	275
Pledged bank deposits	25	**6,216**	—
Cash and cash equivalents	25	**37,709**	53,882
Total current assets		**262,506**	282,558
CURRENT LIABILITIES			
Trade payables	26	**16,138**	22,246
Other payables and accruals	27	**82,985**	90,672
Lease liabilities	28	**11,182**	13,718
Interest-bearing borrowings	29	**172,274**	94,919
Tax payable		**34,357**	31,439
Dividends payable		**4**	4
Total current liabilities		**316,940**	252,998
NET CURRENT (LIABILITIES)/ASSETS		**(54,434)**	29,560
TOTAL ASSETS LESS CURRENT LIABILITIES		**787,299**	898,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Promissory note	30	**298,089**	281,307
Interest-bearing borrowings	29	**76,286**	140,815
Lease liabilities	28	**62,197**	65,063
Consideration payable	35	**86,500**	86,500
Deferred tax liabilities	31	**95,697**	103,701
Total non-current liabilities		**618,769**	677,386
NET ASSETS		**168,530**	221,147
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**4,823**	4,823
Treasury shares	32	**(99)**	(99)
Other reserves	34	**166,793**	215,967
		171,517	220,691
Non-controlling interests		**(2,987)**	456
TOTAL EQUITY		**168,530**	221,147

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2020

		Attributable to owners of the parent										
	Notes	Share capital (note 32) HK$'000	Treasury shares (note 32) HK$'000	*Share premium account (note 32) HK$'000	*Fair value reserve HK$'000	*Capital reserve HK$'000	*Reserve funds HK$'000	*Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		4,343	(95)	151,543	151	5	10,701	(7,709)	(67,300)	91,639	8,778	100,417
Loss for the year		–	–	–	–	–	–	–	(57,082)	(57,082)	(8,322)	(65,404)
Other comprehensive loss for the year:												
Exchange differences related to foreign operations #		–	–	–	–	–	–	(3,691)	–	(3,691)	218	(3,473)
Change in fair value of equity instruments at fair value through other comprehensive loss, net of tax		–	–	–	(1,969)	–	–	–	–	(1,969)	–	(1,969)
Total comprehensive loss for the year		–	–	–	(1,969)	–	–	(3,691)	(57,082)	(62,742)	(8,104)	(70,846)
Issue of shares	32(a)	480	–	192,480	–	–	–	–	–	192,960	–	192,960
Share repurchased	32(b)	–	(4)	(1,380)	–	–	–	–	–	(1,384)	–	(1,384)
Acquisition of non-controlling interest		–	–	–	–	–	–	–	218	218	(218)	–
Transfer from retained profits		–	–	–	–	–	–	–	–	–	–	–
At 31 December 2019		4,823	(99)	342,643	(1,818)	5	10,701	(11,400)	(124,164)	220,691	456	221,147

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2020

		Attributable to owners of the parent										
	Notes	Share capital (note 32) HK$'000	Treasury shares (note 32) HK$'000	*Share premium account (note 32) HK$'000	*Fair value reserve HK$'000	*Capital reserve HK$'000	*Reserve funds HK$'000	*Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020		4,823	(99)	342,643	(1,818)	5	10,701	(11,400)	(124,164)	220,691	456	221,147
Loss for the year		–	–	–	–	–	–	–	(91,696)	(91,696)	(4,296)	(95,992)
Other comprehensive loss for the year:												
Exchange differences related to foreign operations #		–	–	–	–	–	–	42,256	–	42,256	171	42,427
Change in fair value of equity instruments at fair value through other comprehensive loss, net of tax		–	–	–	336	–	–	–	–	336	–	336
Release of exchange fluctuation reserve upon disposal of subsidiaries	38	–	–	–	–	–	–	(70)	–	(70)	–	(70)
Total comprehensive loss for the year		–	–	–	336	–	–	42,186	(91,696)	(49,174)	(4,125)	(53,299)
Derecognition of non-controlling interest upon disposal of subsidiaries	38	–	–	–	–	–	–	–	–	–	682	682
At 31 December 2020		4,823	(99)	342,643	(1,482)	5	10,701	30,786	(215,860)	171,517	(2,987)	168,530

* These reserve accounts comprise the consolidated other reserves of HK$166,793,000 (2019: HK$215,967,000) in the consolidated statement of financial position.

\# Included in exchange differences related to foreign operations for 2020 is an amount related to investment in joint ventures and associates of HK$61,000 in credit balance (2019: HK$30,000 in debit balance).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(102,897)**	(64,802)
Adjustments for:			
Finance costs	7	**51,565**	27,419
Share of losses of joint ventures	6	**114**	—
Share of losses of associates	6	**419**	1,072
Interest income	5	**(1,692)**	(3,356)
Dividend income from equity investments at fair value through other comprehensive income	5	**(250)**	(420)
(Gain)/loss on disposal of items of property and equipment	5, 6	**(925)**	61
Gain on disposal of subsidiaries	5	**(573)**	—
Amortisation and depreciation	6	**67,614**	42,976
Written off of goodwill	6	**3,112**	2,307
Impairment of property, plant and equipment	6	**2,125**	3,522
Impairment of other intangible assets	6	**20,047**	9,272
Provision for impairment of trade receivables	6	**10,286**	3,622
Provision for impairment of other receivables and other assets	6	**384**	1,831
Provision for impairment of contract assets	6	**12,305**	1,164
Write-down of inventories to net realisable value	6	**—**	391
Exchange (gain)/loss		**(340)**	366
Fair value loss on financial assets at fair value through profit or loss		**1,201**	2,926
Gain on lease termination	13, 39	**(83)**	—
Payables written back	5	**(511)**	(1,075)
		61,901	27,276
Increase/(decrease) in inventories		**(2,227)**	180
Increase in contract assets		**(9,701)**	(12,783)
Decrease/(increase) in trade receivables		**32,277**	(18,668)
Increase/(decrease) in prepayments and other assets		**(29,602)**	9,282
Decrease in trade payables		**(7,140)**	(39,130)
(Decrease)/increase in other payables and accruals		**(1,097)**	1,337
(Decrease)/increase in contract liabilities		**(11,268)**	17,283
CASH GENERATED FROM/(USED IN) OPERATIONS		**33,143**	(15,223)
Interest received		**248**	785
Income tax received		**—**	—
Income tax paid		**(6,527)**	(962)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**26,864**	(15,400)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,444**	2,571
Purchases of items of property, plant and equipment		**(13,214)**	(4,463)
Proceeds from disposal of items of property, plant and equipment		**1,431**	—
Capital contribution to a joint venture		**(114)**	—
Cash outflow arising on disposal of subsidiaries		**(464)**	—
Repayment of a loan from joint ventures		**19,572**	62,430
Loan to joint ventures		**(14,402)**	(68,914)
Loan to an associate		**(1,581)**	(1,075)
Repayment of a loan from directors		**5,051**	—
Loan to directors		**—**	(5,104)
Dividend from equity instruments at fair value through other comprehensive income		**250**	420
Acquisition of subsidiaries	35	**—**	(73,500)
Repayment of a loan to a third-party		**—**	2,268
Loan to a third-party		**(561)**	(8,055)
Additions to other intangible assets		**(2,079)**	(1,196)
Placement of pledged bank deposits		**(5,872)**	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(10,539)**	(94,618)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds used in share repurchase		**—**	(1,384)
Proceeds from issue of corporate bonds		**84,500**	147,500
Repayment of corporate bonds		**(55,500)**	(49,500)
Corporate bonds issue expenses		**(5,565)**	(8,393)
Repayment of lease liabilities		**(13,342)**	(11,855)
Acquisition of additional interest in a subsidiary		**—**	(138)
Interest paid		**(25,327)**	(10,450)
New other borrowings		**24,445**	29,604
Repayment of other borrowings		**(52,706)**	(16,617)
Loan from joint ventures		**16,018**	—
Repayment of loan to joint ventures		**(5,204)**	—
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(32,681)**	78,767

	Notes	2020 HK$'000	2019 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,356)**	(31,251)
Cash and cash equivalents at beginning of year		**53,882**	85,987
Effect of foreign exchange rate changes, net		**183**	(854)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**37,709**	53,882
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**37,709**	53,882
Cash and bank balances as stated in the consolidated statement of financial position		**37,709**	53,882
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**37,709**	53,882

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

Graphex Group Limited (formerly known as Earthasia International Holdings Limited) (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 25 November 2013. The registered office address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activities of the Group are landscape architecture mainly in Hong Kong and Mainland China, catering business in Mainland China, and graphene business in Mainland China.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation and business/ form of legal entity	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Earthasia Holdings Limited*	British Virgin Islands/limited liabilities company	US$100	100%	—	Investment holding
Earthasia (International) Limited* ("EAI")	Hong Kong/limited liabilities company	HK$5,000	—	100%	Landscape architecture
宥盛資本有限公司* ("Upworth Capital Limited")	Hong Kong/limited liabilities company	HK$100	—	100%	Investment holding
Think High Global Limited*	British Virgin Islands/limited liabilities company	US$1	—	100%	Investment holding
泛亞景觀設計(上海)有限公司* ("Earthasia (Shanghai) Co., Ltd.") #	Mainland China/ wholly foreign owned enterprise	US$10,000,000	—	100%	Landscape architecture
Earthasia Limited*	Hong Kong/limited liabilities company	HK$10,000	—	100%	Landscape architecture
泛亞城市規劃設計(上海) 有限公司* ("Earthasia Design (Shanghai) Co., Ltd.") #	Mainland China/ wholly owned domestic enterprise	RMB1,000,000	—	100%	Landscape architecture
泛亞國際環境設計(廈門)有限公司* ("Earthasia (Xiamen) Co., Ltd.") # ("EAXM")	Mainland China/ wholly owned domestic enterprise	RMB1,000,000	—	100%	Landscape architecture
前海泛亞景觀設計(深圳) 有限公司* ("Earthasia (QianHai) Limited")# ("EA SZ")	Mainland China/ wholly foreign owned enterprise	RMB5,000,000	—	100%	Interior design and landscape architecture

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation and business/ form of legal entity	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Carbonaphene Holdings Limited* (Formerly known as Yummy Holdings Limited)	British Virgin Islands/limited liabilities company	US$100	100%	—	Investment holding
Yummy Food Holdings Limited*	Hong Kong/limited liabilities company	HK$100	—	100%	Dormant
上海景築文化旅遊發展有限公司 (“Formerly known as 上海景築投資管理有限公司*”)	Mainland China/ wholly foreign owned enterprise	RMB1,000,000	—	100%	Dormant
上海淡奧新材料科技有限公司* (“Shanghai Tanao New Materials Technology Company Ltd.”) # (“SH Tanao”)	Mainland China/ wholly foreign owned enterprise	HK$100,000,000	—	100%	Sale of graphene products
黑龍江省牡丹江農墾淡奧石墨烯深加工有限公司* (“Heilongjiang Mudanjiang Nongken Tanao Graphene Deep Processing Company Limited”) # (“Tanao”)	Mainland China/ wholly owned domestic enterprise	RMB50,000,000	—	100%	Manufacturing and sale of graphene products
Thai Gallery (HK) Limited* (“Thai Gallery HK”)	Hong Kong/limited liabilities company	HK$100	—	51.00%	Investment holding
Thai Gallery SRL (Italy)* (“Thai Gallery Italy”)	Italy/limited liabilities company	EURO20,000	—	51.00%	Catering
蘇州工業園區文律閣酒店管理有限公司* (“Suzhou Industrial Park Wenlvge Hotel Management Co., Ltd.”) # (“Wenlvge”)	Mainland China/ wholly owned domestic enterprise	RMB5,000,000	—	51.00%	Food Investment
泰歡餐飲管理(上海)有限公司* (“Thai Joy F&B Management (Shanghai) Co., Ltd.”) (“Thai Gallery SH”)	Mainland China/ wholly foreign owned enterprise	RMB5,000,000	—	51.00%	Catering Management

Earthasia (Shanghai) Co., Ltd., Earthasia (Xiamen) Co., Ltd., Earthasia Design (Shanghai) Co., Ltd., Earthasia (QianHai) Limited, Shanghai Jingzhu Investment Management Limited, Tanao, SH Tanao, Wenlvge and Thai Gallery SH are registered as foreign-owned enterprises under the law of the People’s Republic of China (the “PRC”).

The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as these companies do not register any official English names.

* Not audited by Crowe (HK) CPA Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

During the year ended 31 December 2020, the Group incurred a loss attributable to owners of the parent of HK$91,696,000 and, as at 31 December 2020, the Group's current liabilities exceeded its current assets by HK$54,434,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

When preparing the consolidated financial statements as of 31 December 2020, the directors of the Company concluded that a going concern basis of preparation was appropriate after analysing the forecasted cash flows for the next twelve months from 31 December 2020 which indicates that the Group will have sufficient liquidity during the next twelve months from cash flows generated by operations and currently available fund. In preparing the forecasted cash flows analysis, the directors consider that the Company has entered into a subscription agreement with the subscriber for the issue of convertible notes and warrants up to the aggregate amount not exceeding USD15 million on 19 January 2021 and the Company has already issued and received proceeds of convertible notes with an aggregate amount of USD2 million. The analysis indicates that the Group will have the financial resources to settle borrowings and payables that will be due in the next twelve months.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework")

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IFRS 3

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

Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Amendment to IFRS 16

The amendment provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequences of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 31 December 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$16,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IAS 1 ad IAS 8

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts and Related Amendments*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

The Group has certain interest-bearing bank and other borrowing denominated in Hong Kong dollars and foreign currencies based on Hong Kong Interbank Offer Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Annual Improvements to IFRSs 2018 – 2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 14. Details of the amendments that are expected to be applicable to the Group are as follows:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than service contract assets, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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;
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Right-of-use assets	Over the lease terms
Furniture and equipment	20%
Motor vehicles	20%
Machinery	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassification to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal group held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject to only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Brand names	8 - 10 years
Backlog contract	20 years
Trademarks	15 years
Patents	15 years
Customer relationship	15 years
Software	1 - 5 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease of the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of –use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets (Continued)

As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use assets recognise when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentive received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value; and

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liability is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments) (Continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities through profit or loss, lease liabilities, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on the classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) Financial liabilities (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets and financial liabilities (Continued)

(ii) Financial liabilties

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting period of the future expenditures excepted to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the each of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue and other income

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of graphene products

Revenue from sale of graphene products is recognised at the point in time when control of the graphene products is transferred to the customer, generally on delivery of the graphene products.

(b) Provision of landscape design services

Revenue from the provision of landscape design services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original landscape design contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(c) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Catering services

Revenue from the provision of catering services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

There are no contracts for the provision of catering services that provide customers with rights of return or volume rebates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income (Continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which ae included in the accounting policies for impairment for financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related or and services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods and services).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognised for cash-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognised in the statement of profit or loss.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% to 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Continued)

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

- Past service costs are recognised in profit or loss at the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the method to estimate variable consideration and assessing the constraint for landscape design services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original landscape design contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in landscape design services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

The Group concluded that revenue for landscape design services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the landscape design that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Revenue from contracts with customers (Continued)

Measurement of progress towards complete satisfaction of landscape design contract (only suitable for transferring control over time) (Continued)

(ii) Determining the timing of satisfaction of landscape design services and the recognition of revenue

The Group determined that the input method is the best method in measuring the progress of the landscape design services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the cost expended relative to the total expected cost to complete the services. Since the duration of providing the design services is relatively long and may cover more than one accounting period, the Group will review the contracts, revise budgets and adjust the revenue accordingly as the contract progress.

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 described below.

Estimated useful lives of property and equipment and intangible assets

The Group's management determines the useful lives and related depreciation/amortisation charges for the Group's property, plant and equipment, and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment, and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives and therefore depreciation/amortisation in the future periods.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay a borrower over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was HK$101,939,000 (2019: HK$105,051,000). Further details are given in note 14.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 23 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 45 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2020 was HK$1,235,000 (2019: HK$870,000). Further details are included in note 18 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits and temporary differences. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimate, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

Development costs

The Group determines whether costs of research and development qualify for capitalisation, and has developed criteria in making that judgement. Therefore, the Group considers whether costs of research and development to be capitalised generates future cash flows, and whether the Group has the technical feasibility of completing the development so that the item under research and development will be available for use or sale and the Group has the intention to complete the development. The Group also considers the ability in measuring development expenditure during the development.

4. OPERATING SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker (CODM), for the purposes of resources allocation and assessment of segment performance focuses on types of goods and services delivered and provided.

The Group has identified the following three major reportable segments. Certain segments have been aggregated to form the following reportable segments:

(a) Manufacturing and sale of graphene products;

(b) Landscape design; and

(c) The catering business focuses on the operation of restaurants

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

Segment assets exclude deferred tax assets, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the service prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (Continued)

The following table present revenue, profit/loss and certain asset, liability and expenditure information for the Group's operating segments for the year.

Year ended 31 December 2020

	Graphene business HK$'000	Landscape design service HK$'000	Catering HK$'000	Total HK$'000
Segment revenue (note 5)				
Sales to external customers	215,462	149,160	24,230	388,852
Intersegment sales	—	—	—	—
				388,852
Reconciliation				
Elimination of intersegment sales				—
Total revenue				388,852
Segment results	(5,303)	(14,943)	(16,914)	(37,160)
Reconciliation				
Unallocated income and gains				3,564
Unallocated expenses				(23,768)
Unallocated finance costs				(45,533)
Loss before tax				(102,897)
Adjusted EBITDA (note (i))	49,743	20,242	15,036	85,021
Segment assets	908,640	211,866	21,768	1,142,274
Reconciliation				
Elimination of intersegment receivables				(87,592)
Unallocated assets				49,557
Total assets				1,104,239
Segment liabilities	93,555	77,287	77,120	247,962
Reconciliation				
Elimination of intersegment payables				(87,592)
Unallocated liabilities				775,339
Total liabilities				935,709

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020 (Continued)

	Graphene business HK$'000	Landscape design service HK$'000	Catering HK$'000	Total HK$'000
Other segment information				
Share of losses of associates and joint ventures unallocated				**533**
Impairment losses recognised in the statement of profit or loss				
– Financial and contract assets	—	22,993	17	23,010
– Goodwill	—	—	3,112	3,112
– Property, plant and equipment	—	—	2,125	2,125
– Other intangible assets	—	—	20,047	20,047
	—	22,993	25,301	48,294
Impairment losses reversed in the statement of profit or loss	—	(13)	(22)	(35)
Reconciliation				
Unallocated				—
Total				48,259
Depreciation and amortisation	50,084	12,277	5,253	67,614
Reconciliation				
Unallocated				—
Total				67,614
Income and gains allocated	—	7,187	1,584	8,771
Finance costs allocated	4,962	630	440	6,032
Fair value losses, net	—	—	1,201	1,201
Investments in an associate unallocated				854
Capital expenditures (note (ii))	9,411	6,911	159	16,481
Reconciliation				
Unallocated				—
Total				16,481

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019

	Graphene business HK$'000	Landscape design business HK$'000	Catering HK$'000	Total HK$'000
Segment revenue (note 5)				
Sales to external customers	123,474	154,114	36,353	313,941
Intersegment sales	—	—	—	—
				313,941
Reconciliation				
Elimination of intersegment sales				—
Total revenue				313,941
Segment results	5,143	2,268	(24,441)	(17,030)
Reconciliation				
Unallocated income and gains				4,155
Unallocated expenses				(27,924)
Unallocated finance costs				(24,003)
Loss before tax				(64,802)
Adjusted EBITDA (note (i))	28,407	21,316	4,735	54,458
Segment assets	904,806	212,767	58,854	1,176,427
Reconciliation				
Elimination of intersegment receivables				(62,346)
Unallocated assets				37,450
Total assets				1,151,531
Segment liabilities	189,975	60,561	88,934	339,470
Reconciliation				
Elimination of intersegment payables				(62,346)
Unallocated liabilities				653,260
Total liabilities				930,384

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019 (Continued)

	Graphene business HK$'000	Landscape design business HK$'000	Catering HK$'000	Total HK$'000
Other segment information				
Share of losses of associates unallocated				1,072
Impairment losses recognised in the statement of profit or loss				
– Financial and contract assets	—	5,593	1,831	7,424
– Goodwill	—	—	2,307	2,307
– Property, plant and equipment	—	—	3,522	3,522
– Other intangible assets	—	—	9,272	9,272
– Inventories	—	—	391	391
	—	5,593	17,323	22,916
Impairment losses reversed in the statement of profit or loss	—	(807)	—	(807)
Reconciliation				
Unallocated				—
Total				22,109
Depreciation and amortisation	21,033	13,815	8,128	42,976
Reconciliation				
Unallocated				—
Total				42,976
Income and gains allocated	4,623	2,604	641	7,868
Finance costs allocated	2,231	447	738	3,416
Fair value losses, net	—	—	2,926	2,926
Investments in an associate unallocated				1,212
Capital expenditures (note (ii))	—	3,855	117	3,972
Reconciliation				
Unallocated				1,687
Total				5,659

4. OPERATING SEGMENT INFORMATION (Continued)

Note:

(i) Adjusted EBITDA is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment losses of other intangible assets and property, plant and equipment, share of losses of associates and joint ventures and impairment losses on financial and contract assets and corporate expenses.

A reconciliation of Adjusted EBITDA to consolidated loss before income tax is provided as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before tax	**(102,897)**	(64,802)
Add:		
Finance costs	**51,565**	27,419
Amortisation and depreciation		
– property, plant and equipment	**4,954**	5,449
– right-of-use assets	**15,331**	14,892
– other intangible assets	**47,329**	22,635
EBITDA	**16,282**	5,593
Written off of goodwill	**3,112**	2,307
Impairment loss of property, plant and equipment	**2,125**	3,522
Impairment loss of other intangible assets	**20,047**	9,272
Impairment loss of trade receivables, net	**10,286**	3,622
Impairment loss of contract assets, net	**12,305**	1,164
Impairment loss of other receivables, net	**384**	1,831
Fair value changes on financial asset at fair value through profit or loss	**1,201**	2,926
(Gain)/loss on disposal of items of property, plant and equipment	**(925)**	61
Write-down of inventories to net realisable value	**—**	391
Corporate expenses		
– Directors and senior management's salaries	**18,427**	21,581
– Auditor's remuneration	**4,808**	4,905
– Share of losses of associates and joint ventures	**533**	1,072
– Exchange difference	**—**	366
	23,768	27,924
Unallocated income and gains		
– Dividend income from equity investments at fair value through other comprehensive income	**(250)**	(420)
– Interest income	**(1,692)**	(3,356)
– Gain on disposal of subsidiaries	**(573)**	—
– Others	**(1,049)**	(379)
	(3,564)	(4,155)
Adjusted EBITDA	**85,021**	54,458

(ii) Capital expenditure consists of additions to property, plant and equipment and other intangible assets except for right-of-use assets.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2020 HK$'000	2019 HK$'000
Mainland China	**360,346**	278,928
Hong Kong	**23,984**	20,112
Others	**4,522**	14,901
	388,852	313,941

The revenue information above is based on the locations of the customers.

During the years ended 31 December 2020 and 2019, other than Mainland China and Hong Kong, the Group also derived revenue from Macau and Italy.

(b) Non-current assets

	2020 HK$'000	2019 HK$'000
Mainland China	**727,202**	745,777
Hong Kong	**10,117**	9,282
Others	**—**	8,678
	737,319	763,737

The above analysis of non-current assets above is based on the locations of the non-current assets and excludes goodwill and deferred tax assets.

Information about major customers

Revenue of approximately HK$67,224,000 (2019: HK$27,703,000) was derived from services to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 HK$'000	2019 HK$'000
Revenue for contracts with customers		
Sale of graphene products	**215,462**	123,474
Landscape design services	**149,160**	154,114
Catering revenue	**7,809**	25,087
Catering management services	**16,421**	11,266
	388,852	313,941

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

	Graphene business HK$'000	Landscape design business HK$'000	Catering HK$'000	Total HK$'000
Type of goods or services:				
Sales of graphene products	**215,462**	**—**	**—**	**215,462**
Landscape design services	**—**	**149,160**	**—**	**149,160**
Catering revenue	**—**	**—**	**7,809**	**7,809**
Catering management services	**—**	**—**	**16,421**	**16,421**
Total Revenue	**215,462**	**149,160**	**24,230**	**388,852**
Geographical markets				
Mainland China	**215,462**	**123,972**	**20,912**	**360,346**
Hong Kong	**—**	**23,984**	**—**	**23,984**
Others	**—**	**1,204**	**3,318**	**4,522**
Total Revenue	**215,462**	**149,160**	**24,230**	**388,852**
Timing of revenue recognition				
Goods transferred at a point in time	**215,462**	**—**	**7,809**	**223,271**
Services transferred over time	**—**	**149,160**	**16,421**	**165,581**
Total Revenue	**215,462**	**149,160**	**24,230**	**388,852**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

	Graphene business HK$'000	Landscape design business HK$'000	Catering HK$'000	Total HK$'000
Type of goods or services				
Sales of graphene products	123,474	—	—	123,474
Landscape design services	—	154,114	—	154,114
Catering revenue	—	—	25,087	25,087
Catering management services	—	—	11,266	11,266
Total Revenue	123,474	154,114	36,353	313,941
Geographical markets				
Mainland China	123,474	131,992	23,462	278,928
Hong Kong	—	20,112	—	20,112
Others	—	2,010	12,891	14,901
Total Revenue	123,474	154,114	36,353	313,941
Timing of revenue recognition				
Goods transferred at a point in time	123,474	—	25,087	148,561
Services transferred over time	—	154,114	11,266	165,380
Total Revenue	123,474	154,114	36,353	313,941

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 **HK$'000**	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Landscape design services	**5,691**	10,269

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of graphene products

The performance obligation is satisfied upon delivery of the graphene products and payment is generally due within two months to four months from delivery, except for new customers, where payment in advance is normally required.

Landscape design services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Catering services

The performance obligation is satisfied upon delivery of catering products and payment at the same time.

Management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of more than one year.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(ii) Performance obligations (Continued)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at end of reporting period are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**123,860**	101,229
More than one year	**391,420**	320,449
	515,280	421,678

The remaining performance obligations expected to be recognised in more than one year relate to landscape design services that are to be satisfied within five years and catering management services that are to be satisfied within twenty years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2020 HK$'000	2019 HK$'000
Other income		
Service income	**1,832**	5,226
Dividend income from equity investments at fair value through other comprehensive income	**250**	420
Interest income	**1,692**	3,356
Government grants	**5,818**	1,567
Foreign exchange differences, net	**340**	—
	9,932	10,569
Gains		
Payables written back	**511**	1,075
Gain on lease termination	**83**	—
Gain on disposal of subsidiaries (note 38)	**573**	—
Gain on disposal of property, plant and equipment	**925**	—
Others	**311**	379
	2,403	1,454
	12,335	12,023

Government grants were received for government departments and for promoting the Group's business in the local area. There are no unfulfilled conditions or contingencies relating to these grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2020 HK$'000**	2019 HK$'000
Cost of inventories sold		**158,987**	98,087
Cost of services provided		**72,847**	69,495
Cost of sales**		**231,834**	167,582
Depreciation of property, plant and equipment	13	**4,954**	5,449
Depreciation of right-of-use assets	13	**15,331**	14,892
Amortisation of other intangible assets	15	**47,329**	22,635
Research and development costs:			
Current year expenditure		**16,942**	16,809
Written off of goodwill	14	**3,112**	2,307
Impairment loss of property, plant and equipment	13	**2,125**	3,522
Impairment loss of other intangible assets	15	**20,047**	9,272
Share of loss of joint ventures	16	**114**	—
Share of loss of associates	17	**419**	1,072
Fair value loss on financial asset at fair value through profit or loss		**1,201**	2,926
Lease payments for lease less than 12 months	13	**3,440**	6,977
Auditors' remuneration		**4,808**	4,905
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**100,196**	103,090
Pension scheme contributions (defined contribution scheme)		**9,575**	18,371
Welfare and other benefits		**1,911**	2,372
		111,682	123,833
Foreign exchange differences, net		**(340)**	366
Impairment losses of financial and contract assets:			
Impairment loss of trade receivables	20	**10,286**	3,622
Impairment loss of contract assets, net	23	**12,305**	1,164
Impairment loss of financial assets included in prepayments other receivables and other assets	21	**384**	1,831
		22,975	6,617
Loss on disposal of items of property, plant and equipment		**—**	61
Write-down of inventories to net realisable value*	19	**—**	391

* The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

** Cost of sales includes approximately HK$54,883,000 (2019: HK$51,095,000), HK$3,740,000 (2019: HK$2,571,000) and HK$145,061,000 (2019: HK$77,995,000) related to employees benefit expense, depreciation and amortisation and raw material expenses, respectively, for which their respective totals are disclosed above.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'000	2019 HK$'000
Interest on interest-bearing borrowings	**22,149**	14,348
Interest on promissory note	**23,743**	9,655
Interest on lease liabilties	**5,673**	3,416
	51,565	27,419

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2020 **HK$'000**	2019 HK$'000
Fees	**519**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**11,498**	11,369
Pension scheme contributions and other benefits	**108**	108
	11,606	11,477
	12,125	11,837

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 HK$'000	2019 HK$'000
Tam Ip Fong Sin	**120**	120
Wang Yuncai	**120**	120
Wong Wang Tai*	**57**	120
Liu Kwong Sang**	**72**	—
Tang Zhaodong**	**60**	—
Chan Anthony Kaikwong**	**90**	—
	519	360

There were no other emoluments payable to the independent non-executive directors during the year (2019: nil).

(b) Executive directors, non-executive directors and the chief executive

	2020		
	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
Executive directors:			
Lau Hing Tat Patrick	**3,360**	**36**	**3,396**
Tian Ming	**1,792**	**—**	**1,792**
Yang Liu	**1,777**	**18**	**1,795**
Qiu Bin	**1,777**	**18**	**1,795**
Non-executive directors:			
Ma Lida	**600**	**—**	**600**
Tu Wenzhe***	**—**	**—**	**—**
Chief executive:			
Chan Yick Yan Andross	**2,192**	**36**	**2,228**
	11,498	**108**	**11,606**

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	2019		
	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
Executive directors:			
Lau Hing Tat Patrick	3,360	36	3,396
Tian Ming	1,760	—	1,760
Yang Liu	1,440	18	1,458
Qiu Bin	1,440	18	1,458
	8,000	72	8,072
Non-executive directors:			
Ma Lida	600	—	600
Chief executive:			
Chan Yick Yan Andross	2,769	36	2,805
	11,369	108	11,477

* On 15 June 2020, Mr. Wong Wang Tai retired from his position as an independent non-executive director of the Company

** On 15 June 2020, Mr. Liu Kwong Sang was appointed as an independent non-executive director of the Company

** On 15 June 2020, Mr. Tang Zhaodong was appointed as an independent non-executive director of the Company

** On 15 June 2020, Mr. Chan Anthony Kaikwong was appointed as an independent non-executive director of the Company

*** On 28 January 2021, Mr. Tu Wenzhe was appointed as a non-executive director of the Company

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors and the chief executive (2019: two directors and the chief executive), details of whose remuneration are set out in note 8 above. The aggregate of the emoluments paid or payable to the remaining individual is as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	—	3,141
Pension scheme contributions and other benefits	—	93
	—	3,234

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

Number of employees	**2020**	2019
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	—	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

泛亞景觀設計 (上海) 有限公司 continued to be granted with the qualification of High and New Technology Enterprises ("HNTE") on 18 November 2020 and is entitled to a preferential corporate income tax rate of 15% (2019: 15%) for a period of three years ending 31 December 2022.

前海泛亞景觀設計 (深圳) 有限公司 has been provided at the rate of 15% (2019: 15%) on the estimated assessable profits as its main principal activities, of engaging in interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

黑龍江省牡丹江農墾渋奧石墨烯深加工有限公司 is qualified for High and New Technology Enterprises and is entitled to a preferential corporate income tax rate of 15% (2019:15%) for a period of three years ending 31 December 2021.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2019: 25%) under the income tax rules and regulations in the PRC.

Thai Gallery SRL is required to pay tax equivalent to 27.9% of taxable income, including 24% for the standard rate of Italy corporate tax ("IRES") and 3.9% for the Italian regional production tax rate ("IRAP").

10. INCOME TAX (Continued)

	2020 HK$'000	2019 HK$'000
Current – Hong Kong	**393**	—
Current – Mainland China	**8,771**	5,268
Current – Italy	**—**	194
	9,164	5,462
Deferred tax (note 31)	**(16,069)**	(4,860)
Total tax (credit)/charge for the year	**(6,905)**	602

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2020									
	Hong Kong		Mainland China		Italy		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(7,113)		(20,367)		(10,523)		(64,894)		(102,897)	
Tax at the statutory tax rate	(1,174)	16.5	(5,092)	25.0	(2,936)	27.9	—	—	(9,202)	8.9
Lower tax rate for specific provinces or enacted by local authority	—	—	1,675	(8.2)	—	—	—	—	1,675	(1.6)
Income not subject to tax	(18)	0.3	(83)	0.4	(57)	0.6	—	—	(158)	0.2
Adjustments on respect of current – tax of previous periods	—	—	—	—	—	—	—	—	—	—
Expense not deductible for tax	23	(0.3)	(5,409)	26.6	—	—	—	—	(5,386)	(5.2)
Temporary difference - not recognised	70	(1.0)	24	(0.1)	3,468	(33.0)	—	—	3,562	(3.5)
Tax losses not recognised	1,492	(21.0)	2,365	(11.6)	(1,253)	11.9	—	—	2,604	(2.5)
Tax charge/(credit) at the Group's effective rate	393	(5.5)	(6,520)	32.1	(778)	7.4	—	—	(6,905)	6.7

10. INCOME TAX (Continued)

	2019									
	Hong Kong		Mainland China		Italy		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(10,108)		(14,330)		(3,435)		(36,929)		(64,802)	
Tax at the statutory tax rate	(1,668)	16.5	(3,583)	25.0	(958)	27.9	(15)	—	(6,224)	9.6
Lower tax rate for specific provinces or enacted by local authority	—	—	(633)	4.4	—	—	—	—	(633)	1.0
Income not subject to tax	(78)	0.8	—	—	—	—	—	—	(78)	0.1
Adjustments on respect of current – tax of previous periods	—	—	12	(0.1)	—	—	—	—	12	—
Expense not deductible for tax	43	(0.4)	400	(2.8)	226	(6.6)	—	—	669	(1.0)
Temporary difference - not recognised	59	(0.6)	1,674	(11.7)	104	(3)	—	—	1,837	(2.8)
Tax losses not recognised	1,644	(16.3)	3,360	(23.4)	—	—	15	—	5,019	(7.7)
Tax charge/(credit) at the Group's effective rate	—	—	1,230	(8.58)	(628)	18.28	--	—	602	(0.9)

11. DIVIDEND

	2020	2019
	HK$'000	HK$'000
Proposed final – Nil (2019: Nil) per ordinary share	**—**	—

The Board does not recommend the payment of any final dividend in respect for the year ended 31 December 2020.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 472,358,725 (2019: 443,803,793) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted loss per share are based on:

	2020 HK$'000	2019 HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent:	**(91,696)**	(57,082)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculations	**472,358,725**	443,803,793
Effect of dilution – weighted average number of ordinary shares:		
Shares awarded	**—**	—
	472,358,725	443,803,793

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
31 December 2020						
At 31 December 2019 and 1 January 2020:						
Cost	**91,333**	**24,849**	**18,130**	**3,775**	**5,273**	**143,360**
Accumulated depreciation	**(15,678)**	**(11,399)**	**(11,875)**	**(2,678)**	**(427)**	**(42,057)**
Impairment	**—**	**(6,588)**	**(1,672)**	**(317)**	**(276)**	**(8,853)**
Net carrying amount	**75,655**	**6,862**	**4,583**	**780**	**4,570**	**92,450**
At 1 January 2020, net of accumulated depreciation and impairment	**75,655**	**6,862**	**4,583**	**780**	**4,570**	**92,450**
Additions	**9,620**	**3,133**	**1,582**	**857**	**8,830**	**24,022**
Impairment	**—**	**(1,400)**	**(725)**	**—**	**—**	**(2,125)**
Depreciation	**(15,331)**	**(2,422)**	**(1,442)**	**(436)**	**(654)**	**(20,285)**
Disposal	**—**	**—**	**(376)**	**(130)**	**—**	**(506)**
Disposal of subsidiaries (note 38)	**(182)**	**(430)**	**(118)**	**—**	**—**	**(730)**
Lease termination	**(5,590)**	**—**	**—**	**—**	**—**	**(5,590)**
Exchange realignment	**3,828**	**391**	**230**	**51**	**771**	**5,271**
At 31 December 2020, net of accumulated amortisation, depreciation and impairment	**68,000**	**6,134**	**3,734**	**1,122**	**13,517**	**92,507**
At 31 December 2020:						
Cost	**83,466**	**28,137**	**17,826**	**2,886**	**14,954**	**147,269**
Accumulated depreciation	**(15,466)**	**(13,597)**	**(12,009)**	**(1,427)**	**(1,149)**	**(43,648)**
Impairment	**—**	**(8,406)**	**(2,083)**	**(337)**	**(288)**	**(11,114)**
Net carrying amount	**68,000**	**6,134**	**3,734**	**1,122**	**13,517**	**92,507**

During the year, the Group decided to close a loss-making restaurant and identified certain restaurants with no sufficient future cash flows to fully cover the carrying amount of restaurants' assets. An impairment of HK$2,125,000 (2019: HK$3,522,000) of the catering segment was recognised in profit or loss for the year ended 31 December 2020.

Future details of impairment test on the catering business are disclosed in note 14 below.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
31 December 2019						
At 1 January 2019:						
Cost	—	22,943	17,534	3,155	397	44,029
Accumulated depreciation	—	(8,717)	(10,833)	(2,032)	(121)	(21,703)
Impairment	—	(4,509)	(603)	—	(276)	(5,388)
Net carrying amount	—	9,717	6,098	1,123	—	16,938
Impact on initial application of IFRS 16	27,942	—	—	—	—	27,942
At 1 January 2019, net of accumulated depreciation and impairment	—	9,717	6,098	1,123	—	16,938
Additions	7,933	2,284	1,505	674	—	12,396
Acquisition of subsidiaries (note 35)	55,019	—	—	—	4,713	59,732
Impairment	—	(2,115)	(1,086)	(321)	—	(3,522)
Depreciation	(14,892)	(2,863)	(1,769)	(686)	(131)	(20,341)
Disposal	—	—	(61)	—	—	(61)
Exchange realignment	(347)	(161)	(104)	(10)	(12)	(634)
At 31 December 2019, net of accumulated amortisation, depreciation and impairment	75,655	6,862	4,583	780	4,570	92,450
At 31 December 2019:						
Cost	91,333	24,849	18,130	3,775	5,273	143,360
Accumulated depreciation	(15,678)	(11,399)	(11,875)	(2,678)	(427)	(42,057)
Impairment	—	(6,588)	(1,672)	(317)	(276)	(8,853)
Net carrying amount	75,655	6,862	4,583	780	4,570	92,450

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2020 **HK$'000**	2019 HK$'000
Other properties leased for own use, carried at depreciated cost	**34,158**	41,476
Plant and machinery, carried at depreciated cost	**33,842**	34,179
	68,000	75,655

Impairment test on right-of-use assets with a carrying amount of HK$52,777,000 (2019: HK$53,302,000) related to Graphene Business was disclosed in note 15 below and no impairment was recognised at 31 December 2020 and 31 December 2019.

The analysis of expense items in relation to leases recognised in profit or loss is follows:

	2020 **HK$'000**	2019 HK$'000
Depreciation expense of right-of-use assets	**15,331**	14,892
Interest expense on lease liabilities	**5,673**	3,416
Expense relating to short-term leases	**3,440**	6,977
	24,444	25,285

The Group had total cash outflows for leases of HK$13,342,000 (2019: HK$11,855,000).

Derecognition of right-of-use assets of approximately HK$5,590,000 (2019: nil) and lease liabilities of approximately HK$5,673,000 (2019: nil) upon closure of the restaurant in Italy during the year, resulting a net gain of approximately HK$83,000 (2019: nil) credited to profit of loss for the year.

14. GOODWILL

	HK$'000
At 1 January 2019	5,419
Written off during the year	(2,307)
Acquisition of subsidiaries (note 35)	101,939
At 31 December 2019	105,051
At 31 December 2019:	
Cost	105,051
Cost and net carrying amount at 1 January 2020	105,051
Written off during the year	(3,112)
At 31 December 2020	101,939
At 31 December 2020:	
Cost	101,939

At 31 December 2020 and 2019, the carrying amount of goodwill was related to the following business segments:

	2020	2019
	HK$'000	HK$'000
Graphene Business	**101,939**	101,939
Catering Business	**—**	3,112
	101,939	105,051

The goodwill represented the expected future profitability of the existing businesses that were acquired by the Group in previous years.

14. GOODWILL (Continued)

Impairment test of goodwill allocated to Graphene Business

During the year ended 31 December 2020, as disclosed in note 4, the Graphene Business segment has revenue from external customers of approximately HK$215.5 million and adjusted EBITDA (as defined in note 4) of approximately HK$49.7 million, as compared with approximately HK$123.4 million and HK$28.4 million for the last period since 7 August 2019, being its acquisition date, respectively. The ratio of adjusted EBITDA over revenue of Graphene Business segment was about 23.06% for the year as compared with 23.01% for the last period since 7 August 2019.

As at 31 December 2020, goodwill of HK$101,939,000 (2019: HK$101,939,000), together with other intangible assets (note 15) and rights-of-use assets (note 13) are allocated to the CGU of Graphene Business. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in selling price and direct costs of graphene during the projection period. The directors of the Company estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 20.8% (2019: 19.3%) for the year ended 31 December 2020. The cash flows projections beyond the 5-year period are extrapolated using a steady of 2% (2019: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The ratio of adjusted EBITDA over revenue is estimated to be about 29.57% to 30.55% during the budget for the next 5 years, taking into account of strong demand for global electric vehicles and lithium-ion batteries, for which, the Group's graphene products are applied as their raw materials.

The Group engaged CHFT Advisory and Appraisal Ltd ("CHFT"), an independent firm of qualified valuers not related to the Group and with qualifications and experiences in valuing similar assets, to determine the recoverable amount of CGU of the Graphene Business as at 31 December 2020 and 2019. With reference to the assessment by CHFT, the recoverable amount of the CGU of the Graphene Business at 31 December 2020 is estimated at approximately HK$775,743,000 (2019: HK$891,765,000). As the recoverable amount of the CGU of the Graphene Business exceeded its carrying amount, with headroom of approximately HK$37,960,000, (2019: HK$198,319,000), no impairment was required for the years ended 31 December 2020 and 2019.

The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the assets of the CGU of Graphene Business to exceed the recoverable amount of the assets of the CGU of Graphene Business.

Written off goodwill - Catering Business

At 31 December 2020, all goodwill related to Catering Business had been fully impaired and written off. At 31 December 2019, the balance of goodwill related to catering business amounted to HK$1,428,000 and HK$1,684,000 to respect of restaurant in Italy and Thai cuisine restaurant management.

During the year, due to the impacts and economic uncertainties caused by Covid-19 pandemic, the Group closed down a loss-making restaurant in Italy and identified certain restaurants with no sufficient future cash flows to fully cover the carrying amount of restaurants' assets. Goodwill of the closed and loss-making restaurants totaling HK$3,112,000 (2019: HK$2,307,000) has been written off to profit or loss for the year ended 31 December 2020.

14. GOODWILL (Continued)

Written off goodwill (Continued)

Goodwill acquired through business acquisitions in prior years was allocated to the following cash-generating units:

- Japanese cuisine restaurants cash-generating unit ("CGU A") of approximately HK$329,000 written off in 2019;
- Thai cuisine restaurant – Italy cash-generating unit ("CGU B") of approximately HK$1,428,000 written off in 2020;
- Thai cuisine restaurants – China cash-generating unit ("CGU C") of approximately HK$1,978,000 written off in 2019; and
- Thai cuisine restaurant management – China cash-generating unit ("CGU D") of approximately HK$1,684,000 written off in 2020.

Impairment test related to Thai Gallery (HK) Limited ("Thai Gallery")

The Group acquired Thai Gallery in September 2017 which mainly managed and operated restaurants serving Thai cuisine in the PRC and Italy under the brand "Thai Gallery (泰廊)". For the year ended 31 December 2020, the Group recognised impairment loss attributable to Thai Gallery. The catering segment was adversely affected by the Covid-19 pandemic where restaurants had to be suspended and/or downsized. In August 2020, the Group decided to cease the operations of Thai Gallery SRL, represented by a Thai cuisine restaurant in Italy. The cessation of operations has caused immediate write-off of the related property, plant and equipment during the year. There were also impairment losses against goodwill, backlog contract and brand names allocated to such cash-generating unit.

Impairment losses recognised during the year	**2020** **HK$'000**	2019 HK$'000
Goodwill	**3,112**	1,979
Property, plant and equipment	**2,125**	3,310
Other intangible assets	**20,047**	4,594
Prepayments, deposits and other receivables	**—**	1,193
Fair value loss on financial assets at fair value through profit and loss	**1,201**	2,362
Total	**26,485**	13,438

Value of inputs and key assumptions used for the valuation of Thai Gallery

The recoverable amount of the cash-generating unit has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The discount rate applied to the cash flow projections was 19.02% (2019: 16.33-20.57%).

14. GOODWILL (Continued)

Value of inputs and key assumptions used for the valuation of Thai Gallery (Continued)

The following describes the key assumptions of the cash flow projections.

Budgeted revenue: The basis used to determine the value assigned to the revenue is the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Budgeted operating expenses: The basis used to determine the values assigned are the cost of inventories consumed, staff costs, and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Significant changes in the value of inputs and assumptions from those previously adopted

	31 December 2020		31 December 2019	
	Italy*	**PRC**	Italy	PRC
Risk-free rate	**N/A**	**3.19%**	1.24%	3.14%
Cost of equity	**N/A**	**20.79%**	17.56%	20.25%
Pre-tax cost of debt	**N/A**	**4.90%**	2.49%	4.90%
WACC	**N/A**	**14.26%**	12.50%	15.49%
WACC (pre-tax)	**N/A**	**19.02%**	16.33%	20.57%

* The restaurant in Italy had been closed during the year.

The changes in value of inputs mainly reflect the prevailing market condition and the volatility of the global economy.

There were no significant changes in the basis adopted in the preparation of the projected cash flow compared with those adopted for the previous forecast period, except for exclusion of Thai Gallery restaurant in Italy owing to the aforesaid closure where cost approach was adopted.

Valuation method and reasons for the method

The valuation method of discounted cash flow was adopted for the calculation of the value of the cash-generating unit of Thai Gallery. It requires estimates on future cash flows and associated discount rate and growth rate assumptions which are based on the management's expectation of future business performance and prospects of Thai Gallery. This income approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

The valuation method of fair value less costs of disposal was not adopted because there is no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the cash-generating unit under the prevailing market condition.

Subsequent changes to the valuation method

There was no significant change in the valuation method. The valuation method of discounted cash flow has been consistently applied in the valuation on the cash-generating unit of Thai Gallery since the acquisition date throughout the reporting period.

The Group engaged an independent valuer to perform the valuation on the cash-generating unit of Thai Gallery as at 31 December 2019 and 2020.

15. OTHER INTANGIBLE ASSETS

		Catering Business		Graphene Business			
	Software HK$'000	Backlog contracts HK$'000	Brand names HK$'000	Patent HK$'000	Trademark HK$'000	Customer relationship HK$'000	Total HK$'000
31 December 2020							
Cost at 1 January 2020, net of accumulated amortisation	2,468	16,021	5,158	250,287	222,358	169,442	665,734
Additions	1,498	—	—	581	—	—	2,079
Amortisation provided during the year	(1,893)	(764)	(368)	(17,291)	(15,331)	(11,682)	(47,329)
Disposal of subsidiaries (note 38)	(4)	—	—	—	—	—	(4)
Impairment during the year	—	(15,257)	(4,790)	—	—	—	(20,047)
Exchange realignment	116	—	—	15,139	13,421	10,227	38,903
At 31 December 2020	2,185	—	—	248,716	220,448	167,987	639,336
At 31 December 2020:							
Cost	16,908	18,052	28,597	274,632	243,440	185,507	767,136
Amortisation	(14,651)	(2,795)	(5,543)	(25,916)	(22,992)	(17,520)	(89,417)
Accumulated impairment	(72)	(15,257)	(23,054)	—	—	—	(38,383)
Net carrying amount	2,185	—	—	248,716	220,448	167,987	639,336
31 December 2019							
Cost at 1 January 2019, net of accumulated amortisation	3,208	16,924	15,886	—	—	—	36,018
Additions	1,196	—	—	—	—	—	1,196
Acquisition of subsidiaries (note 35)	—	—	—	258,222	229,408	174,814	662,444
Amortisation provided during the year	1,895	(903)	(1,457)	(7,111)	(6,455)	(4,814)	(22,635)
Impairment during the year	—	—	(9,272)	—	—	—	(9,272)
Exchange realignment	(41)	—	1	(824)	(595)	(558)	(2,017)
At 31 December 2019	2,468	16,021	5,158	250,287	222,358	169,442	665,734
At 31 December 2019:							
Cost	14,609	18,052	27,748	257,438	228,711	174,283	720,841
Amortisation	(12,073)	(2,031)	(5,059)	(7,151)	(6,353)	(4,841)	(37,508)
Accumulated impairment	(68)	—	(17,531)	—	—	—	(17,599)
Net carrying amount	2,468	16,021	5,158	250,287	222,358	169,442	665,734

15. OTHER INTANGIBLE ASSETS (Continued)

Impairment test on other intangible assets allocated to Graphene Business

Patents, trademarks and customer relationships acquired during the year ended 31 December 2019 through business combination are mainly related to the Graphene Business, as referred to in note 35 below.

As disclosed in note 14, the recoverable amount of Graphene Business as the identified CGU has been determined on a value in use calculations. At 31 December 2020, the recoverable amount of the CGU, to which patents, trademarks, customer relationships, goodwill of HK$101,939,000 (2019: HK$101,939,000) (note 14) and right-of-use assets of HK$52,777,000 (2019: HK$53,302,000) (note 13) are allocated, is determined taking into account the valuation performed by CHFT, based on the cash flows forecasts derived from the most recent financial budgets for the next five years approved by the management using the pre-tax discount rate of 20.8% (2019: 19.3%) per annum which reflects current market assessments of the time value of money and the risks specific to the CGU. Other key assumptions for the value in use calculations is the budgeted growth rate of 2% (2019: 2%), which is determined based on the past performance, management's expectations for the market development and market growth forecasts. The ratio of adjusted EBITDA over revenue is estimated to be about 29.57% to 30.55% during the budget for the next 5 years, taking into account of strong demand for global electric vehicles and lithium-ion batteries, for which, the Group's graphene products are applied as their raw materials.

By applying the same key assumptions as the impairment test of the goodwill which detailed in note 14 above, based on the valuation prepared by CHFT, the recoverable amount of the CGU, to which patents, trademarks, customer relationships, related goodwill (note 14) and right-of-use assets (note 13) are allocated, exceeds its carrying amount as at 31 December 2020. Accordingly, no impairment loss on patents, trademarks, customer relationships, related goodwill (note 14) and right-of-use assets (note 13) in respect of Graphene Business has been recognised during the two years ended 31 December 2020 and 2019.

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount as at 31 December 2020 and 2019.

Impairment loss on other intangible assets allocated to Catering Business

As at 31 December 2020, the Group determined that the backlog contracts and brand names for the Group's catering business had indicators of impairment. The management compared the carrying amount of each of the backlog contracts and brand names with its recoverable amount to determine the amount of the impairment. The estimates of recoverable amount were determined based on the higher of the backlog contracts and brand names' value in use and its fair value less costs of disposal. In determining the value in use, the pre-tax discount rate of 19.02% (2019: 16.33% and 20.57%) was used, reflecting the current market assessment of value of money and the risk specific to the backlog contracts and brand names.

During the year ended 31 December 2020, the Group decided to close a loss-making restaurant and identified certain restaurants with no sufficient future cash flows to fully cover the carrying amount of restaurants' assets. Impairment provision of backlog contracts and brand names of HK$15,257,000 (2019: nil) and HK$4,790,000 (2019: HK$9,272,000), respectively of the catering business was recognised in profit or loss for the year ended 31 December 2020.

16. INVESTMENTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	—	—

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held/ paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Ease Global Limited	Issued shares of US$100	British Virgin Islands	30	50	30	Investment Holding
Trade More Global Limited	Issued shares of US$1,100	British Virgin Islands	30	50	30	Investment Holding
Earthasia Worldwide Holdings Limited ("EA Trading")	Issued shares of HK$100	Hong Kong	30	50	30	Trading business
Earthasia International (Japan) Limited ("Japan Trading")	Issued shares of JPY50,000,000	Japan	30	50	30	Trading business
上海奕桂品牌管理有限公司	Issued shares of RMB1,000,000	Mainland China	30	50	30	Trading business
大連鵬亞國際貿易有限公司 ("Dalian Pengya International Trade Co., Ltd"#) ("Dalian Trading")	Issued shares of RMB100,000	Mainland China	30	50	30	Trading business

The above investments are indirectly held by the Company.

The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as these companies do not register any official English names.

16. INVESTMENTS IN JOINT VENTURES (Continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 **HK$'000**	2019 HK$'000
Share of the joint ventures' loss for the year	**(114)**	—
Share of the joint ventures' total comprehensive loss	**(114)**	—
Aggregate carrying amount of the Group's investments in the joint ventures	**—**	—

The Group has discontinued the recognition of its share of losses of a joint venture, EA Trading, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of losses and other comprehensive income of EA Trading for the year and accumulated losses were HK$2,457,000 (2019: HK$1,627,000) and HK$5,812,000 (2019: HK$3,355,000), respectively.

17. INVESTMENTS IN ASSOCIATES

	2020 **HK$'000**	2019 HK$'000
Share of net assets	**854**	1,212

Particulars of the Group's associates are as follows:

			Percentage of			
Name	**Particulars of issued shares held/ paid-up capital**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
上海泰迪朋友投資管理有限公司 (Shanghai Teddy Friends Investment Management Limited#) ("Teddy")	Registered capital of RMB27,000,000	Mainland China	20	20	20	Investment holding
蘇州蘇迪投資發展有限公司 (Suzhou Sudi Investment and Development Limited#) ("Sudi")	Registered capital of RMB35,000,000	Mainland China	10	10	10	Operating a theme park facility in Mainland China

Teddy and its 51%-owned subsidiary, Sudi are indirectly held by the Company.

The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as these companies do not register any official English name.

17. INVESTMENTS IN ASSOCIATES (Continued)

Teddy and Sudi are considered as associates of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Teddy, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	Teddy Group	
	2020	2019
	HK$'000	HK$'000
Current assets	**8,598**	11,269
Non-current assets	**31,961**	30,279
Current liabilities	**(29,490)**	(27,833)
Non-controlling interests	**6,250**	7,102
Equity attributable to the owners of the parent	**4,819**	6,613
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	20%
Group's share of net assets of the associates	**964**	1,323
Offset related party transactions	**(110)**	(111)
Carrying amount of the investment	**854**	1,212
Revenue	**2,026**	3,985
Loss for the year	**(2,097)**	(5,278)
Other comprehensive income	**—**	—
Total comprehensive loss for the year	**(2,097)**	(5,278)

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
深圳市前海邦你貸互聯網金融服務有限公司	**870**	2,885
At 1 January	**870**	2,885
Fair value change transfer to equity through statement of other comprehensive income	**292**	(1,992)
Exchange realignment	**73**	(23)
At 31 December	**1,235**	870

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

During the year ended 31 December 2020, the Group received dividends in the amount of HK$250,000 (2019: HK$420,000), from Lendbang.

19. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Raw material	**12,410**	11,304
Finished goods	**15,913**	13,119
	28,323	24,423

At 31 December 2020, the carrying amount of inventories carried at the lower of cost and net realisable value amount to HK$28,323,000 (2019: HK$24,423,000), after provision for impairment of nil (2019: HK$391,000).

20. TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade and bills receivables	**118,650**	143,796
Provision for lifetime expected credit losses	**(48,842)**	(35,686)
	69,808	108,110

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is two months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables were amounts billed of HK$72,214,000 (2019: HK$100,097,000) and billable of HK$46,436,000 (2019: HK$43,699,000).

An ageing analysis of the trade and bills receivables at the end of each reporting period, based on the invoice date and net of allowance for lifetime expected credit losses, is as follows:

	2020 HK$'000	2019 HK$'000
Within 6 months	**53,796**	79,938
Over 6 months but within 1 year	**6,955**	21,320
Over 1 year but within 2 years	**7,472**	5,893
Over 2 years but within 3 years	**1,585**	959
	69,808	108,110

The movements in the loss allowance for lifetime expected credit losses of trade and bills receivables are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**35,686**	32,738
Impairment losses,net (note 6)	**10,286**	3,622
Exchange alignment	**2,870**	(674)
At 31 December	**48,842**	35,686

20. TRADE AND BILLS RECEIVABLES (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on invoice date for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

For Landscape PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	**6.12%**	**24.71%**	**52.08%**	**82.38%**	**100%**	**100%**	**58.62%**
Gross carrying amount	**20,672**	**8,244**	**14,692**	**8,996**	**26,109**	**4,025**	**82,738**
Expected credit losses	**1,265**	**2,037**	**7,652**	**7,411**	**26,109**	**4,025**	**48,499**

For Landscape HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	**0%**	**0.55%**	**11.45%**	**100%**	**100%**	**100%**	**9.99%**
Gross carrying amount	**2,478**	**182**	**489**	**22**	**46**	**218**	**3,435**
Expected credit losses	**—**	**1**	**56**	**22**	**46**	**218**	**343**

For Catering Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**
Gross carrying amount	**14,259**	**—**	**—**	**—**	**—**	**—**	**14,259**
Expected credit losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**

20. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2020 (Continued)

For Graphene Customers (HK$'000)

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Credit impared**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**
Gross carrying amount	**17,509**	**709**	**—**	**—**	**—**	**—**	**18,218**
Expected credit losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**

As at 31 December 2019

For Landscape PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	3.98%	9.20%	34.65%	80.31%	100%	100%	46.14%
Gross carrying amount	23,954	12,738	8,908	4,871	21,210	5,079	76,760
Expected credit losses	954	1,172	3,087	3,912	21,210	5,079	35,414

For Landscape HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	0%	0%	0%	100%	100%	100%	5.97%
Gross carrying amount	4,133	80	72	36	18	218	4,557
Expected credit losses	—	—	—	36	18	218	272

For Catering Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	0%	0%	0%	0%	0%	100%	0%
Gross carrying amount	7,914	—	—	—	—	—	7,914
Expected credit losses	—	—	—	—	—	—	—

20. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2019 (Continued)

For Graphene Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	0%	0%	0%	0%	0%	100%	0%
Gross carrying amount	44,891	9,674	—	—	—	—	54,565
Expected credit losses	—	—	—	—	—	—	—

Included in the Group's trade and bills receivables was an amount due from Pubang of HK$278,000 (2019: HK$132,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 **HK$'000**	2019 HK$'000
Current:		
Prepayments	**48,488**	15,031
Deposits and other receivables	**26,983**	26,683
Loans to directors (note 24)	**—**	5,023
Loans to joint ventures (note 42)	**1,366**	6,449
Loan to an associate (note 42)	**2,800**	1,058
Loan receivables	**6,597**	5,715
Impairment allowance	**(13,887)**	(12,676)
	72,347	47,283
Non-current:		
Prepayments	**374**	581
Deposits	**3,013**	2,890
	3,387	3,471
Total	**75,734**	50,754

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The movements in provision for impairment of prepayments, other receivables and other assets are as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**12,676**	11,085
Impairment during the year (note 6)	**384**	1,831
Exchange alignment	**827**	(240)
At 31 December	**13,887**	12,676

Deposits and other receivables mainly represent rental deposits, loan receivables, service income receivables, prepayments to suppliers and deposits with customers.

Included in the Group's deposits and other receivables are an amount due from a joint venture of HK$42,000 (2019: nil), an amount due from an associate of HK$240,000 (2019: nil) and an amount due from Pubang of HK$18,000 (2019: HK$61,000) which have no fixed terms of repayment and are interest-free and unsecured.

As at 31 December 2020, except for other receivables of HK$13,887,000 (2019: HK$12,676,000) which were fully impaired, none of the above assets was either past due or impaired and the financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**—**	1,194

Following the acquisition of Thai Gallery HK and Wenlvge, original shareholders, third parties of the Group, retained a 49% economic interest in the business of Thai Gallery HK and Wenlvge. Call options were granted over this interest stake which could be exercisable after the acquisition date in the case of the call option. The net present value of the call options was recognised as a current financial asset under IFRS 9. The value of the call options was HK$nil at 31 December 2020 (2019: HK$1,194,000).

23. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contract assets arising from:		
Landscape design services	**115,661**	99,178
	115,661	99,178
Provision for lifetime expected credit losses	**(68,114)**	(51,787)
	47,547	47,391

Contract assets are initially recognised for revenue earned from landscape design services as the cumulative revenue recognised in profit or loss exceed the cumulative billings to provide service. The contract assets will be reclassified as receivables when the progress billings are issued and delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The contract asset will also be reclassified as receivables when the performance obligation of the contracts has been completed. The increase in contract assets in 2020 was the result of the increase in the provision of landscape design services at the end of the year.

During the year ended 31 December 2020, HK$68,114,000 (2019: HK$51,787,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**47,547**	47,391
Total contract assets	**47,547**	47,391

23. CONTRACT ASSETS (Continued)

The movements in the allowance for lifetime expected credit losses of contract assets are as follows:

	2020	2019
	HK$'000	HK$'000
At beginning of years	**51,787**	51,645
Impairment losses, net (note 6)	**12,305**	1,164
Exchange alignment	**4,022**	(1,022)
At end of year	**68,114**	51,787

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of lifetime expected credit losses of contract assets are based that of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about historic bad debt experiences, current conditions and forecasts of future economic conditions.

23. CONTRACT ASSETS (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets, for which the ageing analysis was based on the date of revenue recognition, using a provision matrix:

As at 31 December 2020

PRC Customers (HK$'000)

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Credit impared**	**Total**
Expected credit loss rate	**7.69%**	**19.89%**	**47.50%**	**81.12%**	**100%**	**100%**	**59.82%**
Gross carrying amount	**16,301**	**22,122**	**20,329**	**10,213**	**17,328**	**26,607**	**112,900**
Expected credit losses	**1,254**	**4,401**	**9,657**	**8,285**	**17,328**	**26,607**	**67,532**

HK Customers (HK$'000)

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Credit impared**	**Total**
Expected credit loss rate	**0.07%**	**0.66%**	**57.88%**	**76.22%**	**100%**	**100%**	**21.08%**
Gross carrying amount	**1,529**	**304**	**736**	**164**	**28**	**—**	**2,761**
Expected credit losses	**1**	**2**	**426**	**125**	**28**	**—**	**582**

As at 31 December 2019

PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	7.51%	19.68%	47.07%	80.98%	100%	100%	53.31%
Gross carrying amount	24,031	17,748	14,467	6,136	7,498	27,164	97,044
Expected credit losses	1,804	3,492	6,810	4,969	7,498	27,164	51,737

HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impared	Total
Expected credit loss rate	0%	0.26%	4.65%	25.61%	100%	100%	2.34%
Gross carrying amount	1,438	381	215	82	18	—	2,134
Expected credit losses	—	1	10	21	18	—	50

23. CONTRACT ASSETS (Continued)

Included in the Group's contract assets is an amount of HK$137,000 (2019: HK$193,000), after net of provision for lifetime expected credit losses of HK$12,296,000 (2019: HK$7,988,000), with Pubang for services rendered by the Group, which is repayable on credit terms similar to those offered to the major customers of the Group.

24. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2020 HK$'000	Maximum amount outstanding during the year HK$'000	At 31 December 2019 and 1 January 2020 HK$'000	Maximum amount outstanding during the prior year HK$'000	At 1 January 2019 HK$'000	Security held
Mr. Qiu Bin	—	2,233	2,233	2,233	—	None
Mr. Yang Liu	—	2,790	2,790	2,790	—	None

The loans granted to directors bear interest at 4% per annum and are repayable on demand.

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**37,709**	53,882
Time deposits	**6,216**	—
	43,925	53,882
Less: Pledged for specific performance (note)	**(6,216)**	—
	37,709	53,882

Note:

As at 31 December 2020, bank deposits of HK$6,216,000 (2019: nil) are pledged to a bank for the issuance of guarantees by the bank to the customers in respect of the specific performance under certain service agreements.

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

The Group's cash and bank balances were denominated in HK$ at the end of the reporting period, except for the following:

	2020		2019	
	Original currency in'000	**HK$ equivalent in'000**	Original currency in'000	HK$ equivalent in'000
Cash and bank balances:				
Renminbi ("RMB")	**27,018**	**32,103**	16,539	18,463
Euro	**148**	**1,411**	209	1,820
USD Dollar	**28**	**225**	27	212
Japanese Yen	**9,679**	**709**	9,680	693

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
Within 1 year	**10,775**	18,941
Over 1 year but within 2 years	**2,880**	2,925
Over 2 years but within 3 years	**1,539**	295
Over 3 years	**944**	85
	16,138	22,246

The trade payables are non-interest-bearing and are normally settled within three months.

27. OTHER PAYABLES AND ACCRUALS

	Notes	2020 HK$'000	2019 HK$'000
Current:			
Contract liabilities	(a)	**46,225**	58,469
Other payables and accurals			
Other payables	(b)	**23,631**	22,726
Interest payables		**12,034**	8,458
Accruals		**31**	700
Due to an associate (note 42)	(c)	**—**	319
Amount due to a director (note 42)	(d)	**1,064**	—
		36,760	32,203
Total		**82,985**	90,672

Notes:

(a) Details of contract liabilities as at 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Gross amount due to customers for construction work	**46,225**	54,981
Short-term advances received from customers		
Catering	—	16
Graphene business	—	3,237
Management service	—	235
Total contract liabilities	**46,225**	58,469

Contract liabilities include short-term advances received to landscape services. The decrease in contract liabilities in 2020 was mainly due to the decrease in gross amount due to customers for construction work in relation to the provision of landscape design services at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of three months.

(c) The amount due to an associate is unsecured, interest-free and repayable on demand.

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

28. LEASE LIABILITIES

As at 31 December 2020, the lease liabilities were payable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**11,182**	13,718
After 1 year but within 2 years	**8,740**	8,907
After 2 years but within 5 years	**11,197**	13,389
After 5 years	**42,260**	42,767
	62,197	65,063
	73,379	78,781

29. INTEREST-BEARING BORROWINGS

		31 December 2020		
	Notes	Effective interest rate (%)	Maturity	HK$'000
Current				
Bank overdrafts			**On demand**	**3,445**
Other borrowing – unsecured	(a)	**18**	**2020**	**6,000**
Other borrowing – unsecured	(a)	**8**	**2021**	**4,456**
Other borrowing – unsecured	(a)	**12**	**2021**	**6,605**
Other borrowing – unsecured	(a)	**4.75**	**2021**	**2,056**
Current portion of corporate bonds – unsecured	(b)	**6-10.04**	**2021**	**149,712**
				172,274
Non-current				
Corporate bonds – unsecured	(b)	**10.04**	**2022**	**76,041**
Other borrowing – unsecured	(a)	**Free**	**2023**	**245**
				76,286

29. INTEREST-BEARING BORROWINGS (Continued)

	31 December 2019			
	Notes	Effective interest rate (%)	Maturity	HK$'000
Current				
Other borrowing – unsecured	(a)	18-24	2020	17,000
Other borrowing – unsecured	(a)	9.6	2020	7,808
Other borrowing – unsecured	(a)	Free	2020	12,571
Other borrowing – unsecured	(a)	4.75	2020	2,188
Current portion of corporate bonds – unsecured	(b)	9.13	2020	55,352
				94,919
Non-current				
Corporate bonds – unsecured	(b)	9-10.04	2021	140,570
Other borrowing – unsecured	(a)	Free	2023	245
				140,815

29. INTEREST-BEARING BORROWINGS (Continued)

The corporate bonds recognised in the consolidated financial statements are calculated as follows:

	HK$6% Corporate Bonds due 2019	HK$6% Corporate Bonds due 2020	HK$9% Corporate Bonds due 2019	HK$6% Corporate Bonds due 2021	HK$9% Corporate Bonds due 2021	HK$6% Corporate Bonds due 2021	HK$6% Corporate Bonds due 2021	HK$6% Corporate Bonds due 2022	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note b)		(note c)	(note d)	(note c)	
Carrying amount as at 1 January 2019	56,893	40,249	5,000	—	—	—	—	—	102,142
Issuance during the year	—	—	—	105,500	5,000	37,000	—	—	147,500
Transaction costs	—	—	—	(5,803)	—	(2,590)	—	—	(8,393)
Repayment	(44,500)	—	(5,000)	—	—	—	—	—	(49,500)
Interest charged	5,004	3,581	450	4,230	37	406	—	—	13,708
Interest paid and interest payable included in other payables and accruals	(3,397)	(2,478)	(450)	(2,896)	(37)	(277)	—	—	(9,535)
Carrying amount as at 31 December 2019	14,000	41,352	—	101,031	5,000	34,539	—	—	195,922
Carrying amount as at 1 January 2020	**14,000**	**41,352**	**—**	**101,031**	**5,000**	**34,539**	**—**	**—**	**195,922**
Issuance during the year	**—**	**—**	**—**	**—**	**—**	**—**	**5,000**	**79,500**	**84,500**
Transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,565)**	**(5,565)**
Repayment	**(14,000)**	**(41,500)**	**—**	**—**	**—**	**—**	**—**	**—**	**(55,500)**
Interest charged	**—**	**148**	**—**	**9,236**	**450**	**3,457**	**254**	**5,897**	**19,442**
Interest paid and interest payable included in other payables and accruals	**—**	**—**	**—**	**(6,331)**	**(450)**	**(2,220)**	**(254)**	**(3,791)**	**(13,046)**
Carrying amount as at 31 December 2020	**—**	**—**	**—**	**103,936**	**5,000**	**35,776**	**5,000**	**76,041**	**225,753**

29. INTEREST-BEARING BORROWINGS (Continued)

Notes:

(a) The Group's all other borrowings were unsecured, of which, HK$6,512,000 (2019: HK$14,759,000) was denominated in Renminbi with duration of one year from the date issued. HK$12,605,000 (2019: HK$17,000,000) and HK$245,000 (2019: HK$245,000) were denominated in Hong Kong dollars, with duration of two months to one year and five years, respectively, from the date issued.

The loans from joint ventures included in the Group's current liabilities of HK$6,605,000 (2019: nil) and HK$4,456,000 (2019: nil), carry interest at 12% and 8% per annum, respectively and are repayable within one year (note 42).

(b) The Group's corporate bonds were denominated in Hong Kong dollars, with duration of one to two years from the date subscribed.

On 7 December 2018, the Company issued HK$110,000,000 corporate bonds with a nominal value of HK$110,000,000, of which HK$105,500,000 was received in 2019. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.

(c) On 25 November 2019, the Company issued HK$150,000,000 corporate bonds with a nominal value of HK$150,000,000, of which HK$79,500,000 and HK$37,000,000 was received in 2020 and 2019, respectively. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.

(d) On 26 February 2020, the Company issued HK$5,000,000 corporate bonds with a nominal value of HK$5,000,000, of which HK$5,000,000 was received in 2020. The bonds carry interest at a rate of 6% per annum and payable annually after the period.

(e) The effective interest rates of HK$105,500,000 6% Corporate Bonds due in 2021 and HK$116,500,000 6% Corporate Bonds due in 2021 and 2022 are 9.13% and 10.04%, respectively.

30. PROMISSORY NOTE

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**281,307**	—
Issuance of promissory note (note (a))	**—**	274,552
Effective interest charged (note (b))	**23,743**	9,655
Interest payable included in other payables and accruals	**(6,961)**	(2,900)
At the end of the year	**298,089**	281,307

Notes:

(a) On 7 August 2019, the Company issued 4 –year unsecured promissory note with nominal value of HK$348,080,000 denominated in Hong Kong dollars. The interest rate for the promissory note is 2% per annum. The fair value of the promissory note at acquisition date is estimated to be approximately HK$275 million.

(b) The promissory note is measured at amortised cost using the effective rate method with the effective rate at 8.4% per annum.

31. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Deferred tax assets

	2020 HK$'000	2019 HK$'000
At 1 January	**185**	317
Credited/(charged) to the statement of profit or loss during the year	**2,152**	(128)
Exchange realignment	**138**	(4)
At 31 December	**2,475**	185

Deferred tax liabilities

	2020 HK$'000	2019 HK$'000
At 1 January	**103,701**	9,686
Credited to the statement of profit or loss during the year	**(13,917)**	(4,988)
Fair value adjustments of equity investments at fair value through other comprehensive income	**29**	(46)
Arising from acquisition of subsidiaries	**—**	99,366
Exchange realignment	**5,884**	(317)
At 31 December	**95,697**	103,701

Deferred tax assets

	Accumulated losses HK$'000	Impairment of financial and contract assets HK$'000	Total HK$'000
At 1 January 2019	164	153	317
Credited to the statement of profit or loss	(128)	—	(128)
Exchange realignment	(1)	(3)	(4)
At 31 December 2019	**35**	**150**	**185**
At 1 January 2020	**35**	**150**	**185**
Credited to the statement of profit or loss	**—**	**2,152**	**2,152**
Exchange realignment	**2**	**136**	**138**
At 31 December 2020	**37**	**2,438**	**2,475**

31. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income HK$'000	Fair value adjustments from acquisition of subsidiaries HK$'000	Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2019	23	8,356	1,307	9,686
Credited to the statement of profit or loss	—	(4,988)	—	(4,988)
Fair value adjustments of equity investments at fair value through other comprehensive income	(46)	—	—	(46)
Arising from acquisition of subsidiaries (note 35)	—	99,366	—	99,366
Exchange realignment	23	(340)	—	(317)
At 31 December 2019	**—**	**102,394**	**1,307**	**103,701**
At 1 January 2020	**—**	**102,394**	**1,307**	**103,701**
Credited to the statement of profit or loss	**—**	**(13,917)**	**—**	**(13,917)**
Fair value adjustments of equity investments at fair value through other comprehensive income	**29**	**—**	**—**	**29**
Exchange realignment	**17**	**5,867**	**—**	**5,884**
At 31 December 2020	**46**	**94,344**	**1,307**	**95,697**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is liable for withholding taxes of 5% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

31. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders. Deferred tax assets have not been recognised in respect of the following items:

The Group has tax losses arising in Mainland China of RMB18,504,000 (2019: RMB16,864,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Hong Kong of HK$40,273,000 (2019: HK$40,273,000) for offsetting against future taxable profits indefinitely. Deferred tax assets have not been recognised in respect of these losses and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

The Group has deductible temporary differences of HK$140,225,000 (2019: HK$112,017,000) that will expire for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these deductible temporary differences as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

32. SHARE CAPITAL AND TREASURY SHARES

Shares

	2020 **HK$'000**	2019 HK$'000
Issued and fully paid 482,290,000 (2019: 482,290,000) ordinary shares	**4,823**	4,823

A summary of movements in the Company's share capital is as follows:

	Number of issued and fully paid shares	**Nominal value of shares** HK$'000	**Share premium account** HK$'000
As at 1 January 2019	434,290,000	4,343	163,205
Consideration shares issued (note (a))	48,000,000	480	192,480
As at 31 December 2019, 1 January 2020 and 31 December 2020	**482,290,000**	**4,823**	**355,685**

Note:

(a) On 7 August 2019, the Company allotted and issued 48,000,000 new shares of the Company of HK$4.02 each for a total consideration of HK$192,960,000 for the acquisition of 100% issued share capital of Think High Global Limited. The consideration received in excess of the par value of these allotted shares of approximately HK$192,480,000 was credited to the share premium account.

32. SHARE CAPITAL AND TREASURY SHARES (Continued)

Treasury shares

A summary of movements in the Company's treasury shares is as follows:

	Number of issued and fully paid shares	Nominal value of shares HK$'000	Share premium account HK$'000
As at 1 January 2019	(9,525,275)	(95)	(11,662)
Repurchase of ordinary shares (note (b))	(356,000)	(4)	(1,380)
As at 31 December 2019, 1 January 2020 and 31 December 2020	**(9,881,275)**	**(99)**	**(13,042)**

Note:

(b) On 19 July 2019, the Company repurchased a total of 356,000 ordinary shares of the Company of HK$0.01 each at a total consideration of HK$1,384,000. The consideration paid in excess of the par value of these repurchased shares of approximately HK$1,380,000 was debited to the share premium account. The repurchased shares have not been cancelled and would be granted to eligible persons under a share award scheme of the Company.

Share award scheme

On 21 August 2014, the Company adopted a share award scheme. The specific objectives of the share award scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the board of directors of the Company (the "Board") pursuant to the rules of the share award scheme (the "Scheme Rules"), the share award scheme shall be valid and effective for a term of 10 years commencing on 21 August 2014.

32. SHARE CAPITAL AND TREASURY SHARES (Continued)

Share award scheme (Continued)

The share award scheme shall be subject to the administration of the Company's board of directors (the "Board") and the trustee in accordance with the Scheme Rules and the trust deed as appointed by the Company. The trustee shall hold the trust fund in accordance with the terms of the trust deed.

The board of directors may from time to time cause to be paid the fund to the trust by way of settlement or otherwise contribution by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of the Company's shares and other purposes set out in the Scheme Rules and the trust deed. Subject to the Scheme Rules, the Board may from time to time instruct the trustee in writing to purchase the Company's shares. Once purchased, the Company's shares are to be held by the trustee for the benefit of employees under the trust on and subject to the terms and conditions of the share award scheme and the trust deed. On each occasion, when the Board instructs the trustee to purchase the Company's shares, it shall specify the maximum amount of funds to be used and the range of prices at which such shares of the Company are to be purchased. The trustee may not incur more than the maximum amount of funds or purchase any shares of the Company at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

Subject to the provision of the share award scheme, the Board may, from time to time at its absolute discretion, select any eligible person who contributes to the success of the Group's operations ("Eligible Person") other than those excluded for participation in the share award scheme, and grant awarded shares to the selected Eligible Person at no consideration in a number and on terms and conditions as it may determine at its absolute discretion.

Subject to the terms and conditions of the share award scheme and the fulfilment of all vesting conditions to the vesting of the awarded shares on such selected Eligible Person as specified in the share award scheme and the grant notice, the respective awarded shares held by the trustee on behalf of the selected Eligible Person pursuant to the provision hereof shall vest to such selected Eligible Person in accordance with the vesting schedule (if any) as set out in the grant notice, and the trustee shall cause the awarded shares to be transferred to such selected Eligible Person on the vesting date.

Prior to the vesting date, any award made pursuant to the share award scheme shall be personal to the selected Eligible Person to whom it is made and shall not be assignable and no selected Eligible Person shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the awarded shares referable to him/her pursuant to such award.

The Board may at its discretion, with or without further conditions, grant additional shares of the Company or cash award out of the trust fund representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds from sales of non-cash and non-scrip distributions, bonus shares and scrip dividends) declared by the Company or derived from such awarded shares during the period from the date of award to the vesting date to a selected Eligible Person upon the vesting of any awarded shares.

33. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by the Company on 3 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and the Share Option Scheme became effective on 25 June 2014. Eligible participants of the Share Option Scheme are the directors, including independent non-executive directors, of the Company and any entity in which the Group holds at least 20% of its shares (the "Invested Entity"), other employees of the Group or the Invested Entity, suppliers of goods or services to the Group or the Invested Entity, the customers of the Group or the Invested Entity, person that provides technological support to the Group or the Invested Entity, shareholders of the Group or the Invested Entity, holders of any securities issued by the Group or the Invested Entity, the advisor or consultant to the Group or the Invested Entity, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors which shall not exceed ten years from the offer date subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares as stated in the stock exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares on the offer date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2020 and 2019, the Company had no share options outstanding under the Share Option Scheme.

34. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 97 to 98 of the financial statements.

Reserve fund

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, each of the subsidiaries registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC Generally Accepted Accounting Principles (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

35. BUSINESS COMBINATION

On 7 August 2019, the Group acquired a 100% interest in Think High Global Limited and its subsidiaries ("Think High Global Group") from an independent third party ("Vendor"). Think High Global Group is engaged in the manufacture and sale of graphene products (the "Graphene Business"). The acquisition was made as part of the Group's strategy to enter the graphene industry. The purchase consideration for the acquisition is as follows:

	2019 HK$'000
Cash consideration paid	210,000
Consideration shares	192,960
Promissory note	274,552
Consideration transferred	677,512

As part of the consideration for the acquisition of Think High Global Group, 48 million ordinary shares of the Company with par value of HK$4.02 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$192,960,000.

The promissory note with principle value of HK$348,080,000 and coupon rate of 2% per annum was issued by the Company as settlement for part of the consideration. The fair value of the promissory note is estimated to be approximately HK$274,552,000, which represents the present value of the future cash outflows under the promissory note over 4 years after the issue date, which are discounted using a discount rate of 8.4%.

Acquisition-related costs amounting to HK$3,679,000 were excluded from the consideration transferred and were recognised as an expense in 2018, within the administrative expenses line item in the consolidated statement of profit or loss.

35. BUSINESS COMBINATION (Continued)

The fair value of the identifiable assets and liabilities of Think High Global Group as at the date of acquisition were as follows:

Fair value recognised on acquisition

	2019 HK$'000
Property, plant and equipment	4,713
Right-of-use assets	55,019
Intangiable assets	662,444
Inventories	23,762
Trade receivables	43,574
Other receivables and prepayment	22,516
Trade payables	(50,707)
Other payables and accrued expenses	(2,941)
Contract liabilities	(6,238)
Other borrowing	(21,700)
Leased liabilities	(55,503)
Deferred tax liabilities	(99,366)
Total identified net assets at fair value	575,573
Goodwill on acquisition	101,939
	677,512
Satisfied by	
Cash consideration paid	210,000
Consideration shares allotted and issued	192,960
Promissory note issued	274,552
	677,512

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	2019 HK$'000
Cash consideration paid	210,000
Consideration withheld for tax purpose	(86,500)
Net cash paid	123,500
Prepaid consideration to acquisition	(50,000)
Cash and bank balance acquired	—
Net outflow of cash and cash equivalents included in cash flows used in investing activities	73,500

35. BUSINESS COMBINATION (Continued)

Fair value recognised on acquisition (Continued)

Since the acquisition, Think High Global Group contributed HK$123,474,000 to the Group's revenue and HK$5,229,000, which is after deduction of amortisation of other intangible assets of approximately HK$18,345,000 and less reversal of deferred tax of approximately HK$2,736,000, to the consolidated profit or loss for the year ended 31 December 2019.

Had the acquisition been completed on 1 January 2019, revenue and loss for the year ended 31 December 2019 of the Group would have been HK$451,017,000 and HK$40,443,000, respectively.

The fair values of intangible assets as at the date of acquisition amounted to HK$662,443,730, which consist of patents, trademarks and customer relationships.

The fair values of trade receivables and other receivables as at the date of acquisition amounted to HK$43,574,000 and HK$22,516,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$43,574,000 and HK$22,516,000, respectively, of which none was expected to be uncollectible.

On 13 November 2019, the Group and the vendor entered into a second supplemental agreement to amend certain terms and conditions relating to the profit guarantee and the promissory note. According to the supplemental agreement, the guaranteed profit after taxation of Think High Global Group should not be less than HK$14,095,000, HK$35,000,000, HK$35,000,000 and HK$20,905,000 for the post-acquisition period ended 31 December 2019, year ended 31 December 2020, 31 December 2021 and period ending 6 August 2022, respectively. In the event of profit guarantee cannot be met, the shortfall amount will be set off against the principal amount of the promissory note. Details of the calculation of the compensation are set out in the Company's announcement dated 13 November 2019. Based on the actual financial performance of the Think High Global Group for the year ended 31 December 2020 and the period ended 31 December 2019, the audited consolidated net profit after tax of the Think High Global Group exceeded the stipulated amount of profit guarantee for both periods. As at acquisition date, 31 December 2020 and 31 December 2019, the directors of the Company determined that the fair value of the profit guarantee would be zero, as the guaranteed profits for the year ended 31 December 2020 and period ended 31 December 2019 had already been met and the profit forecast for the Graphene Business for each of year ending 31 December 2021 and the period ending 6 August 2022 indicate that the above guaranteed profits can be achieved.

36. TRANSACTION WITH NON-CONTROLLING INTERESTS

In September 2019, the Group acquired 19% equity interest of Jingxiong by acquiring 41% equity interest of Kouxiong from non-controlling interests at a total cash consideration of HK$138,000. The Group's interests in Jingxiong and Kouxiong were increased from 81% to 100% and from 59% to 100%, respectively.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that has material non-controlling interests are set out below:

	2020	2019
Percentage of equity interest held by non-controlling interests		
Wenlvge	**49%**	49%
Thai Gallery Group	**49%**	49%

	2020 HK$'000	2019 HK$'000
Loss for the year allocated to non-controlling interests:		
Wenlvge	**(2)**	(3,043)
Thai Gallery Group	**(4,340)**	(4,539)
Accumulated balance of non-controlling interests at the reporting date:		
Wenlvge	**(4,682)**	(4,396)
Thai Gallery Group	**1,765**	5,646

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2020	
	Wenlvge **HK$'000**	**Thai Gallery Group** **HK$'000**
Revenue	**—**	**23,993**
Total expenses	**(4)**	**(32,851)**
Loss for the year	**(4)**	**(8,858)**
Other comprehensive (loss)/profit for the year	**(578)**	**937**
Total comprehensive (loss)/profit for the year	**(582)**	**7,921**
Current assets	**40**	**27,182**
Non-current assets	**—**	**5,476**
Current liabilities	**8,369**	**25,817**
Non-current liabilities	**11,225**	**3,238**
Net cash flows (used in)/from operating activities	**(4)**	**9,513**
Net cash flows from in investing activities	**—**	**440**
Net cash flows used in financing activities	**—**	**(2,674)**
Net (decrease)/increase in cash and cash equivalents	**(4)**	**7,279**

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

	2019	
	Wenlvge HK$'000	Thai Gallery Group HK$'000
Revenue	1,381	32,273
Total expenses	(7,592)	(41,536)
Loss for the year	(6,211)	(9,263)
Other comprehensive profit/(loss) for the year	154	(116)
Total comprehensive loss for the year	(6,057)	(9,379)
Current assets	42	14,882
Non-current assets	—	36,558
Current liabilities	7,862	26,370
Non-current liabilities	1,151	13,547
Net cash flows from operating activities	13	6,984
Net cash flows used in investing activities	—	(3,100)
Net cash flows used in financing activities	—	(5,449)
Net increase/(decrease) in cash and cash equivalents	13	(1,565)

38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group disposed of two 51% equity interest subsidiaries to the legal representative of EAXM at a cash consideration of HK$51. All of the assets and liabilities of the two subsidiaries have been derecognised upon disposal.

	2020	
	Le Colonial HK$'000	**Zhumei HK$'000**
Property, plant and equipment	**730**	—
Intangible asset	**4**	—
Inventory	**30**	—
Cash and bank balances	**58**	**406**
Prepayments and other receivables	**194**	**170**
Lease liabilities	**(188)**	—
Amount due to an associate	—	**(397)**
Accruals and other payables	**(2,192)**	—
Net (liabilities)/assets disposed of	**(1,364)**	**179**
Consideration	—	—
Net liabilities/(assets) disposed of	**1,364**	**(179)**
Release of translation reserve upon disposal	**28**	**42**
Non-controlling interests	**(682)**	—
Gain/(loss) on disposal	**710**	**(137)**
Analysis of the net cash outflows in respect of the disposal		
Cash received	—	—
Cash and cash equivalent disposed of	**(58)**	**(406)**
Net cash outflows	**(58)**	**(406)**

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	2020		
	Other borrowings and promissory note HK$'000	**Other payables HK$'000**	**Lease liabilities HK$'000**
At January 2020	**517,041**	**8,458**	**78,781**
Changes from financing cash flows	**(13,666)**	**—**	**(19,015)**
Disposal of a subsidiary	**—**	**—**	**(188)**
Lease termination	**—**	**—**	**(5,673)**
Addition of lease liabilities	**—**	**—**	**9,620**
Exchange realignment	**442**	**516**	**4,181**
Interest expense	**42,832**	**3,060**	**5,673**
At 31 December 2020	**546,649**	**12,034**	**73,379**

	2019		
	Other borrowings and promissory note HK$'000	Other payables HK$'000	Lease liabilities HK$'000
At January 2019	107,462	2,426	—
Changes from financing cash flows	95,560	—	(15,271)
Adoption of IFRS16 at 1 January 2019	—	—	27,942
Acquisition of a subsidiary	296,252	—	55,503
Addition of lease liabilities	—	—	7,933
Exchange realignment	(195)	(9)	(742)
Interest expense	17,962	6,041	3,416
At 31 December 2019	517,041	8,458	78,781

40. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2019 and 2020, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2020	2019
	HK$'000	HK$'000
Within one year	**378**	337

41. COMMITMENTS

The Group had no material capital commitment as at 31 December 2019 and 2020.

42. RELATED PARTY TRANSACTIONS

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

	Notes	**2020** **HK$'000**	2019 HK$'000
Contract revenue from Pubang	(i)	**2,622**	3,032
Purchases of goods from Teddy	(ii)	**500**	644
Lease payment to directors	(iii)		
Andross Chan		**436**	463
Ming Tian		**192**	194
Loans to			
Directors	(iv)	**—**	5,104
Teddy	(v)	**1,581**	1,075
Dalian Trading	(vi)	**8,654**	14,914
EA Trading	(vii)	**2,100**	54,000
上海奕桂品牌管理有限公司	(viii)	**3,648**	—
Repayment of loan from			
Directors	(iv)	**5,051**	—
Dalian Trading	(vi)	**10,899**	12,646
EA Trading	(vii)	**6,316**	49,784
上海奕桂品牌管理有限公司	(viii)	**2,357**	—
Interest income from			
Directors	(iv)	**251**	60
Teddy	(v)	**160**	—
Dalian Trading	(vi)	**277**	441
EA Trading	(vii)	**156**	1,497
上海奕桂品牌管理有限公司	(viii)	**67**	—
Disposal of subsidiaries to the legal representative of EAXM			
David Yang (note 38)		**—**	—
Payment of expenses on behalf of			
Teddy		**—**	6
Loans from			
EA Trading	(ix)	**7,600**	—
上海奕桂品牌管理有限公司	(x)	**4,209**	—
上海鵬亞品牌管理有限公司	(xi)	**4,209**	—
Repayment of loan to			
EA Trading	(ix)	**995**	—
上海鵬亞品牌管理有限公司	(xi)	**4,209**	—
Interest expense to			
EA Trading	(ix)	**247**	—
上海奕桂品牌管理有限公司	(x)	**201**	—
上海鵬亞品牌管理有限公司	(xi)	**40**	—

42. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The Company's subsidiary, Earthasia (Shanghai) Co., Ltd., entered into a framework sale agreement dated 30 July 2014 with Pubang, pursuant to which the Group has agreed that (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) all or part of its landscape projects that require landscape architecture services; and (ii) refer to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture. The Group's contract revenue derived from Pubang for the year ended 31 December 2020 amounted to HK$2,622,000 (2019: HK$3,032,000). The Group's subcontracting and referral fees to Pubang for the year ended 31 December 2020 were HK$nil (2019: nil) and HK$nil (2019: nil), respectively. On 17 December 2019, Earthasia (Shanghai) and Pubang entered into a renewed cooperation agreement.

Related party transactions with Pubang also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The Group purchased finished goods from Teddy and the price and terms had been agreed mutually between the Group and Teddy.

(iii) The Group entered into lease agreements with directors, Mr. Andross Chan and Mr. Ming Tian to lease certain properties. The rents have been agreed mutually between the Group and these directors.

(iv) On 30 April 2019, the Group granted a one-month-term loan in aggregate of RMB2,000,000 to a director, Mr. Yang Liu. The interest rate was 4% per annum. On 29 May 2019, 29 August 2019 and 31 December 2019, the Group and Mr. Yang Liu entered into supplemental agreements to extend the maturity date to 29 August 2019, 31 December 2019 and 31 May 2020, respectively. The principal and interest were fully repaid during 2020.

On 17 May 2019, the Group granted a three-month-term loan in aggregate of RMB2,500,000 to a director, Mr. Tian Ming. The interest rate was 4% per annum. On 16 August 2019, the Group and Mr. Tian Ming entered into a supplemental agreement to extend the maturity date to 16 December 2019. On 16 December 2019, the Group entered into a liability transfer agreement with Mr. Tian Ming and other two directors, Mr. Qiu Bin and Mr. Yang Liu. According to the agreement, Mr. Qiu Bin and Mr. Yang Liu agreed to undertake the loan liabilities of RMB2,000,000 and RMB500,000 due to Mr. Tian Ming, respectively. The interest rate was 4% per annum for a period from 16 June 2019 to 29 February 2020. The principal and interest were fully repaid during 2020.

(v) On 20 November 2018, the Group entered into a loan agreement of RMB2,500,000 with Teddy, an associate of the Group, to support its business operation with one year term which were unsecured and bore interest at 8% per annum. The loan amount of RMB948,000 was paid in 2019. The contract stated that if the actual lending day and loan amount did not conform to the loan contract, the actual borrowing date would prevail. The outstanding balance of the loan was RMB2,800,000 as at 31 December 2020 (2019: RMB948,000).

(vi) The Group entered into the loan agreements with Dalian Trading during 2020, and the total principals amounted to RMB7,710,000 at 12% interest rate per annum (2019: RMB13,150,000 at 12% interest rate per annum). The principal and interest were fully repaid during 2020.

(vii) The Group granted a revolving loan in aggregate of HK$2,100,000 (2019: HK$54,000,000) during the year to EA Trading, a joint venture of the Group, to support its business operation with a one-year term which was unsecured and bore interest at 12% per annum (2019: 12%). The revolving loan at all times with a balance did not exceed HK$50,000,000. The principal and interest were fully repaid during 2020.

On 25 June 2019, the Group entered into a renewal agreement with EA Trading to renew the existing revolving loan facility at the same cap amount of HK$50,000,000 at interest rate of 12% per annum for a period from 25 June 2019 to 31 December 2021.

42. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(viii) The Group granted short-term loan in aggregate of RMB3,250,000 to 上海奕桂品牌管理有限公司, a joint venture of the Group during the year. The interest rate was 8% per annum. The outstanding balance of the loan was RMB1,150,000 (2019: nil) as at 31 December 2020.

(ix) EA Trading, a joint venture of the Group granted a revolving loan in aggregate of HK$7,600,000 (2019: nil) to the Group for the period from 11 June 2020 to 31 December 2021, which was unsecured and bore interest at 12% per annum. The revolving loan at all times with a balance did not exceed HK$10,000,000. The outstanding balance of the loan was HK$6,605,000 (2019: nil) as at 31 December 2020.

(x) 上海奕桂品牌管理有限公司, a joint venture of the Group granted a six month term loan in aggregate of HK$4,209,000 (2019: Nil) at interest rate of 8% per annum. The repayment date was extended from 31 December 2020 to 30 April 2021. The outstanding principal was HK$4,456,000 (2019: nil) as at 31 December 2020.

(xi) 上海鵬亞品牌管理有限公司, a joint venture of the Group granted a short term loan in aggregate of RMB3,750,000 (2019: nil) at 8% interest rate per annum. The principal and interest were fully repaid during 2020. 上海鵬亞品牌管理有限公司 was deregistered in July 2020.

(b) Outstanding balances with related parties:

(i) Details of the Group's trading balances with the Company's shareholder, Pubang, are included in notes 20 and 23 to the financial statements.

(ii) Details of the Group's loan to an associate and joint ventures are included in note 21 to the financial statements.

(iii) Included in the Group's deposits and other receivables was an amount due from a joint venture of HK$42,000 (2019: nil) and an associate of HK$240,000 (2019: nil), which have no fixed terms of repayment and are interest-free and unsecured.

(iv) Included in the Group's deposits and other receivables was an amount due from Pubang of HK$18,000 (2019: HK$61,000), which is interest-free, unsecured and has no fixed terms of repayment.

(v) Included in the Group's other payables and accruals was an amount due from an associate of HK$nil (2019: HK$319,000).

(vi) Included in the Group's other payables and accruals was an amount due to a director, Mr. Andross Chan of HK$1,064,000 (2019: nil), which was interest free, unsecured and repayable on demand.

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**13,457**	14,142
Pension scheme contributions	**144**	162
Total compensation paid to key management personnel	**13,601**	14,304

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

43. REMUNERATION OF SENIOR MANAGEMENT

Remuneration of the senior management of the Group is as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**1,440**	2,413
Pension scheme contributions	**36**	54
Total compensation paid to senior management personnel	**1,476**	2,467

Remunerations of the senior management of the Group are within the following bands:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	1	2

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income equity investments HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	—	—	1,235	1,235
Trade and bills receivables	—	69,808	—	69,808
Financial assets included in prepayments, other receivables and other assets	—	26,872	—	26,872
Financial assets at fair value through profit or loss	—	—	—	—
Pledged bank deposits	—	6,216	—	6,216
Cash and cash equivalents	—	37,709	—	37,709
	—	140,605	1,235	141,840

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	16,138
Financial liabilities included in other payables and accruals	36,760
Interest-bearing borrowings	248,560
Promissory note	298,089
Lease liabilities	73,379
Consideration payable	86,500
Dividends payable	4
	759,430

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2019

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income equity investments HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	—	—	870	870
Trade and bills receivables	—	108,110	—	108,110
Financial assets included in prepayments, other receivables and other assets	—	35,142	—	35,142
Financial assets at fair value through profit or loss	1,194	—	—	1,194
Cash and cash equivalents	—	53,882	—	53,882
	1,194	197,134	870	199,198

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	22,246
Financial liabilities included in other payables and accruals	32,203
Interest-bearing borrowings	235,734
Promissory note	281,307
Lease liabilities	78,781
Consideration payable	86,500
Dividends payable	4
	736,775

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**1,235**	870	**1,235**	870
Financial assets at fair value through profit or loss	**—**	1,194	**—**	1,194
	1,235	2,064	**1,235**	2,064

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Interest-bearing borrowings	**248,560**	235,734	**249,205**	237,831
Promissory note	**298,089**	281,307	**308,428**	299,834
Lease liabilities	**73,379**	78,781	**73,379**	78,781
	620,028	595,822	**631,012**	616,446

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, interest-bearing other borrowings other than finance lease payables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of interest-bearing other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market- based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	2020: 0.93 to 3.24 (2019: 1.99 to 9.21)	1% increase/(decrease) in multiple would have no material impact on the fair value
		Discount for lack of marketability	2020: 20% (2019: 20%)	1% increase/(decrease) in discount would have no material impact on the fair value

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Following the acquisition of Thai Gallery HK, original shareholders, third parties of the Group, retained a 49% economic interest in the business of Thai Gallery HK. Call options was granted over this interest stake which could be exercisable after the acquisition date in the case of the call option. The call option on non-controlling interests' value is estimated by using a binomial model. The Company's management decides to appoint which external valuer to be responsible for the external valuations of the call option on non-controlling interests. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of the call option together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Call option on non-controlling interests over Thai Gallery HK	Binomial model	Business value (100%)	2020: HK$22,576,000 (2019: HK$25,056,000)	1% increase/(decrease) in business value would have no material impact on the fair value
		Risk free rate	2020: 3.19% (2019: 3.14%)	1% increase/(decrease) in risk free rate would have no material impact on the fair value
		Volatility	2020: 45.06% (2019: 43.36%)	1% increase/(decrease) in volatility would have no material impact on the fair value

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments designated at fair value through other comprehensive income	—	—	**1,235**	**1,235**
Financial assets at fair value through profit or loss	—	—	—	—
	—	—	**1,235**	**1,235**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	—	—	870	870
Financial assets at fair value through profit or loss	—	—	1,194	1,194
	—	—	2,064	2,064

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 HK$'000	2019 HK$'000
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	**870**	2,885
Total losses recognised in other comprehensive income	**292**	(1,992)
Exchange realignment	**73**	(23)
At 31 December	**1,235**	870

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**1,194**	4,122
Total losses recognised in the statement of profit or loss		
Included in other income	**(1,201)**	(2,926)
Exchange realignment	**7**	(2)
At 31 December	**—**	1,194

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing borrowings	—	—	249,205	249,205
Promissory note	—	—	308,428	308,428
Lease liabilities	—	—	73,379	73,379
	—	—	631,012	631,012

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing borrowings	—	—	237,831	237,831
Promissory note	—	—	299,834	299,834
Lease liabilities	—	—	78,781	78,781
	—	—	616,446	616,446

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist mainly of equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, cash and bank balances, dividends payable, lease liabilities, promissory note, contingent liabilities and interest-bearing other borrowings. The main purpose of these financial instruments was to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

Since the interest-bearing other borrowings have fixed interest rates, there was no significant interest rate risk as at the end of the reporting period.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from financial instruments such as trade and bills receivables and cash and bank balances by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB, USD, EUR or JPY exchange rate, with all other variables held constant, of the Group's loss before tax.

	2020	
	Increase/ (decrease) in RMB, USD, EUR and JPY rate %	Increase/ (decrease) in loss before tax HK$'000
If the Hong Kong dollar weakens against the RMB	**5**	**(37)**
If the Hong Kong dollar strengthens against the RMB	**(5)**	**37**
If the RMB weakens against the USD	**5**	**(1,311)**
If the RMB strengthens against the USD	**(5)**	**1,311**
If the Hong Kong dollar weakens against the USD	**5**	**—**
If the Hong Kong dollar strengthens against the USD	**(5)**	**—**

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	2019	
	Increase/ (decrease) in RMB, USD, EUR and JPY rate %	Increase/ (decrease) in loss before tax HK$'000
If the Hong Kong dollar weakens against the RMB	5	273
If the Hong Kong dollar strengthens against the RMB	(5)	(273)
If the RMB weakens against the USD	5	(1,390)
If the RMB strengthens against the USD	(5)	1,390
If the Hong Kong dollar weakens against the USD	5	(390)
If the Hong Kong dollar strengthens against the USD	(5)	390

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Contract assets*	—	—	—	47,547	47,547
Trade receivables*	—	—	—	69,808	69,808
Financial assets included in prepayments, other receivables and other assets					
– Normal**	26,872	—	—	—	26,872
– Doubtful**	—	—	—	—	—
Pledged bank deposits	6,216	—	—	—	6,216
Cash and cash equivalents	37,709	—	—	—	37,709
	70,797	—	—	117,355	188,152

Maximum exposure and year-end staging as at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Contract assets*	—	—	—	47,391	47,391
Trade receivables*	—	—	—	108,110	108,110
Financial assets included in prepayments, other receivables and other assets					
– Normal**	35,142	—	—	—	35,142
– Doubtful**	—	—	—	—	—
Cash and cash equivalents	53,882	—	—	—	53,882
	89,024	—	—	155,501	244,525

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 23 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period 20.43% and 39.37% of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

The Group performs ongoing credit evaluations of its customers' financial conditions. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and bills receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from receivables are disclosed in notes 20 and 21 to the financial statements.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The tables below summarise the maturity profile of the Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments.

Group

	31 December 2020					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	**16,138**	**—**	**—**	**—**	**—**	**16,138**
Other payables and accruals	**36,760**	**—**	**—**	**—**	**—**	**36,760**
Interest-bearing borrowings	**9,445**	**14,252**	**159,513**	**77,258**	**—**	**260,468**
Promissory note	**—**	**—**	**6,962**	**359,103**	**—**	**366,065**
Lease liabilities	**—**	**4,389**	**12,389**	**37,725**	**60,221**	**114,724**
Consideration payable	**—**	**—**	**—**	**86,500**	**—**	**86,500**
Dividends payable	**4**	**—**	**—**	**—**	**—**	**4**
	62,347	**18,641**	**178,864**	**560,586**	**60,221**	**880,659**

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	31 December 2019					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	22,246	—	—	—	—	22,246
Other payables and accruals	35,691	—	—	—	—	35,691
Interest-bearing borrowings	14,012	71,975	22,472	149,065	—	257,524
Promissory note	—	—	6,962	368,964	—	375,926
Lease liabilities	—	5,087	14,217	40,169	63,367	122,840
Consideration payable	—	—	—	86,500	—	86,500
Dividends payable	4	—	—	—	—	4
	71,953	77,062	43,651	644,698	63,367	900,731

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is interest-bearing other borrowings representing the total debt divided by the total equity.

The gearing ratios as at the end of the reporting periods were as follows:

	2020 HK$'000	2019 HK$'000
Interest-bearing borrowings (note 29)	**248,560**	235,734
Promissory note	**298,089**	281,307
	546,649	517,041
Total equity	**168,530**	221,147
Gearing ratio	**324%**	234%

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**11,648**	17,526
CURRENT ASSETS		
Prepayments, other receivables and other assets	**512**	4,404
Amounts due from subsidiaries	**666,538**	688,787
Cash and cash equivalents	**1,425**	27,558
Total current assets	**668,475**	720,749
CURRENT LIABILITIES		
Amount due to a director	**439**	—
Other payables and accruals	**17,040**	16,077
Interest-bearing borrowings	**165,762**	80,160
Amount due to a subsidiary	**4,531**	—
Dividend payable	**4**	4
Total current liabilities	**187,776**	96,241
NET CURRENT ASSETS	**480,699**	624,508
TOTAL ASSETS LESS CURRENT LIABILITIES	**492,347**	642,034
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	**76,041**	140,570
Promissory note	**298,089**	281,307
Total current liabilities	**374,130**	421,877
NET ASSETS	**118,217**	220,157
EQUITY		
Share capital	**4,823**	4,823
Treasury shares	**(99)**	(99)
Other reserves (note)	**113,493**	215,433
TOTAL EQUITY	**118,217**	220,157

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's other reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2019	151,543	—	(41,681)	5,854	115,716
Total comprehensive loss for the year	—	—	(91,383)	—	(91,383)
Consideration shares issued	192,480	—	—	—	192,480
Share repurchased	(1,380)	—	—	—	(1,380)
At 31 December 2019 and 1 January 2020	**342,643**	**—**	**(133,064)**	**5,854**	**215,433**
Total comprehensive loss for the year	**—**	**—**	**(101,940)**	**—**	**(101,940)**
At 31 December 2020	**342,643**	**—**	**(235,004)**	**5,854**	**113,493**

The Company's capital reserve represents the difference between the then share of net assets of EAI acquired over the par value of shares issued by the Company in consideration and in exchange for the entire share capital of EAI.

48. PROFIT GUARANTEES IN RELATION TO THE ACQUISITIONS

(a) Think High Global Limited

On 7 August 2019, the Group completed the acquisition of 100% issued share capital of Think High Global Limited from Tycoon Partner Holding Limited, an independent third party, at a consideration of approximately HK$692,000,000. Pursuant to the acquisition agreement and supplemental agreements thereto, the vendor guaranteed to the Group that the audited consolidated profits after tax of Think High Global Limited and its subsidiaries for the period ending 6 August 2022 as follows:

Guaranteed period	Guaranteed profit
For the period from 7 August 2019 to 31 December 2019	HK$14,095,000
For the year ending 31 December 2020	HK$35,000,000
For the year ending 31 December 2021	HK$35,000,000
For the period from 1 January 2022 to 6 August 2022	HK$20,905,000

Based on the audited results available to the Company, the consolidated net profits after tax of Think High Global Limited and its subsidiaries for the period from 7 August 2019 to 31 December 2019 and the year ended 31 December 2020 was approximately HK$20,838,000 and HK$35,000,000, respectively, which fulfilled to meet the profit guarantee to the Group. Based on the assessment on the profit forecasts of Think High Global Limited and its subsidiaries for the year ending 31 December 2021 and the period from 1 January 2022 to 6 August 2022 during the above profit guarantee periods, the guaranteed profit for these two periods, together with the period ended 31 December 2019 and the year ended 31 December 2020, can be met. Accordingly, the fair value of the profit guarantee receivable was estimated to be zero.

48. PROFIT GUARANTEES IN RELATION TO THE ACQUISITIONS (Continued)

(b) Relevant subsidiaries of Thai Gallery (HK) Limited

On 30 September 2017, the Group completed the acquisition of 51% issued share capital of Thai Gallery (HK) Limited ("Thai Gallery HK") from independent third party vendors at a consideration of RMB19,380,000. Pursuant to the acquisition agreement and supplemental agreements thereto, the vendors guaranteed to the Group that the total audited net operating profit after tax of the target group (comprising Thai Gallery SH and Thai Gallery Italy, which were wholly-owned subsidiaries of Thai Gallery HK) for each of the three financial years ended/ending 31 December 2019, 2020 and 2021 shall be not less than RMB6,000,000, RMB7,000,000 and RMB8,000,000 respectively.

Based on the audited results available to the Company, the consolidated net operating profit after tax of the target group for the two years ended 31 December 2019 and 2020 were approximately RMB6 million and RMB7 million, respectively, which fulfilled to meet the operating profits guaranteed to the Group for these two years. Thai Gallery Italy has closed down its restaurant in Italy during the year ended 31 December 2020. Based on the profit forecast of Thai Gallery SH, being the remaining relevant subsidiary of Thai Gallery HK after closure of the operation of Thai Gallery Italy, for the year ending 31 December 2021, the estimated net operating profit after tax of the target group will exceed RMB8 million. Accordingly, the fair value of the profit guarantee receivable was estimated to be zero.

49. LEGAL PROCEEDING

On 1 December 2017, the Group completed the acquisition of 51% equity interest in Wenlvge from independent third party vendors at a consideration of RMB10,200,000. Pursuant to the acquisition agreement, the aforesaid vendors jointly and severally guaranteed to the Group that the audited net profit after tax of Wenlvge for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than RMB2,570,000.

According to the auditor's report of Wenlvge dated 28 February 2019, the audited net loss of Wenlvge for the year ended 31 December 2018 was approximately RMB4.1 million and therefore Wenlvge failed to meet the profit guarantee of RMB2,570,000 which was guaranteed by the vendors to the Group. Since April 2019, Wenlvge has ceased its operations. Pursuant to the agreement, the vendors were obliged to make the compensation of RMB26.3 million to the Group within 10 working days after the issuance of auditor's report.

However, the Group has not received any compensation from the vendors despite repeated requests. In May 2019, the Group filed a claim of approximately RMB26.3 million against the vendors at the Shanghai International Arbitration Center. The arbitration hearing was conducted in September 2019 and it was held that the Vendors were jointly and severally liable for making a compensation to the Group in the total amount of approximately RMB21.66 million. The aforesaid arbitration result was final and conclusive. The Vendors should fulfill the payment obligation within 15 days from the arbitration results.

49. LEGAL PROCEEDING (Continued)

Despite the arbitration results which were made in favour of the Group, the Company was still not able to enforce the payment from the vendors because the Company was informed by the court that the vendors did not possess any personal properties. In August 2020, the Company further filed an investigation order to the court against certain vendors who had deliberately transferred out of their properties in avoidance of their payment obligations. In January 2021, the court accepted the case and it is under review.

At 31 December 2020 and up to the date of approval of the consolidated financial statements, the Company has not received the final results from the court. In view of the significant uncertainty in the recoverability of the claim against the vendors, no recognition of the claim receivable has been made.

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 19 January 2021, the Company entered into the Subscription Agreement with the Subscriber for the issue of the convertible notes and warrants up to the aggregate principal amount not exceeding USD15 million, and the Company has already completed the issue of convertible bonds and received proceeds in the aggregate amount of USD2 million, which will mature in 2023.

(b) On 28 January 2021, 40,000,000 share options were granted to 14 eligible participants, out of which, 24,000,000 share options were granted to certain directors of the Company.

(c) On 4 March 2021, the Company entered into a letter of intent for the subscription of new shares in a battery maker, Shenzhen KYSS Technology Co., Limited in the PRC.

51. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended December 31				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**388,852**	313,941	197,311	128,671	183,774
Cost of sales	**(231,834)**	(167,582)	(83,159)	(83,674)	(94,010)
Gross Profit	**157,018**	146,359	114,152	44,997	89,764
Other income and gains	**12,335**	12,023	16,289	11,878	11,298
Selling and marketing expenses	**(13,823)**	(27,433)	(33,272)	(12,685)	(8,509)
Administrative expenses	**(156,869)**	(142,250)	(100,850)	(81,462)	(85,220)
Impairment losses on financial and contract assets	**(22,975)**	(6,617)	(14,104)	—	—
Finance costs	**(51,565)**	(27,419)	(9,028)	(268)	(48)
Other expenses	**(26,485)**	(18,393)	(20,587)	(11,488)	(15,136)
Share of losses of joint ventures	**(114)**	—	(3)	(1)	(702)
Share of losses of associates	**(419)**	(1,072)	(1,684)	(2,462)	(1,742)
Loss before tax	**(102,897)**	(64,802)	(49,087)	(51,491)	(10,295)
Income tax credit/(expense)	**6,905**	(602)	2,104	(6,243)	(583)
Loss for the year	**(95,992)**	(65,404)	(46,983)	(57,734)	(10,878)
Attributable to:					
Owners of the Company	**(91,696)**	(57,082)	(36,039)	(57,313)	(9,365)
Non-controlling interests	**(4,296)**	(8,322)	(10,944)	(421)	(1,513)
Other comprehensive (loss)/income	**(95,992)**	(5,442)	(3,494)	5,725	(7,616)
Total comprehensive loss for the period	**(53,299)**	(70,846)	(50,477)	(52,009)	(18,494)
Attributable to:					
Owners of the Company	**(49,174)**	(62,742)	(39,463)	(51,593)	(17,011)
Non-controlling interests	**(4,125)**	(8,104)	(11,014)	(416)	(1,483)
ASSETS AND LIABILITIES					
Non-current assets	**841,733**	868,973	119,553	82,826	33,179
Current assets	**262,506**	282,558	194,614	226,321	201,205
Total assets	**1,104,239**	1,151,531	314,167	309,147	234,384
Non-current liabilities	**618,769**	677,386	50,180	77,324	3,924
Current liabilities	**316,940**	252,998	163,570	89,981	59,271
Total liabilities	**935,709**	930,384	213,750	167,305	63,195
Net Assets	**168,530**	221,147	100,417	141,842	171,189
Total equity attributable to owners of the Company	**171,517**	220,691	91,639	122,175	171,197

Graphex Group Limited
11/F COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
www.graphexgroup.com

Tel : 852 - 2559 9438 Fax : 852 - 2559 9841
email : info@graphexgroup.com

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