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

OMO 商業模式

63

中亞烯谷

2021 Annual Report 年報

賦能·未來

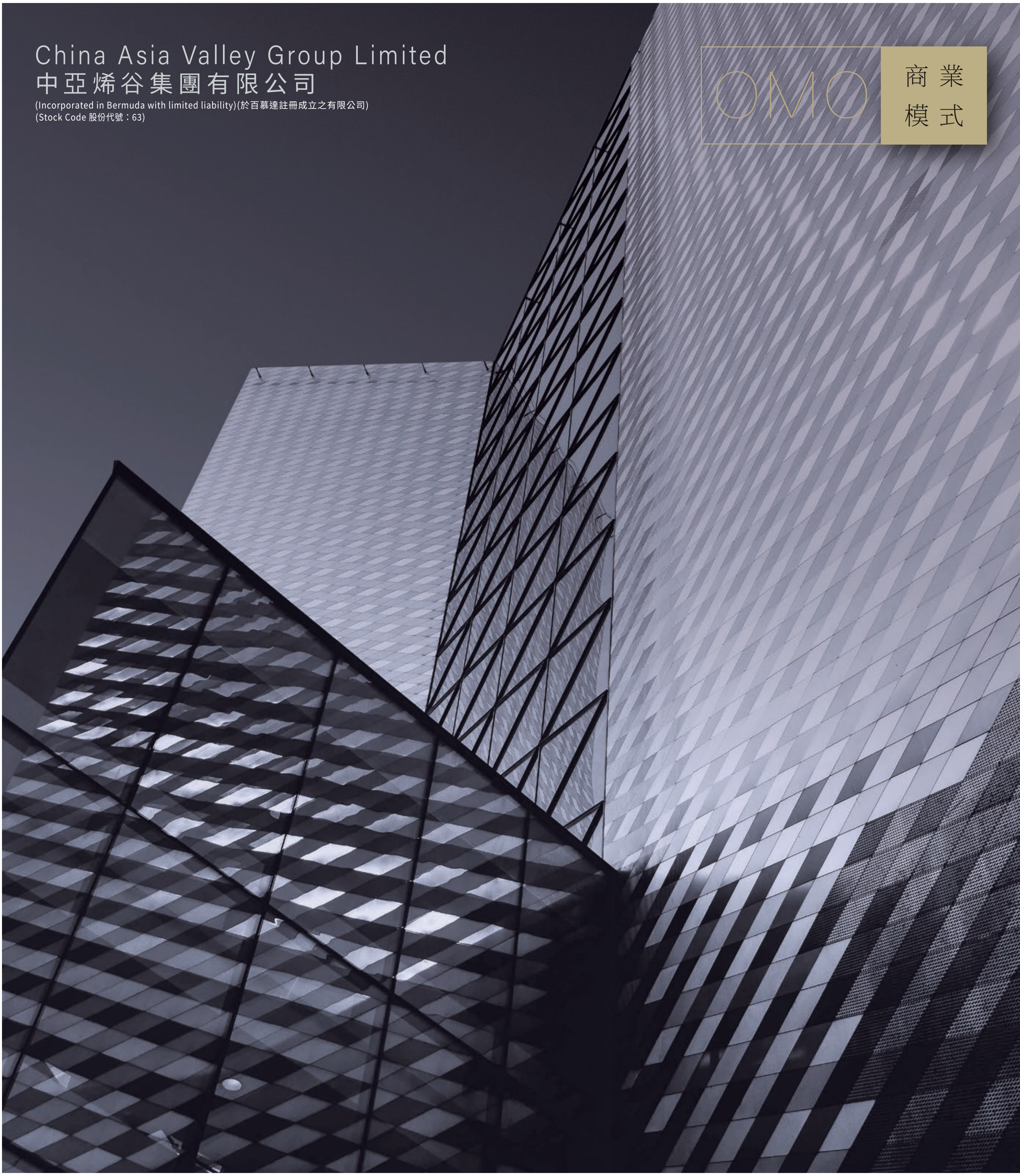
THINK

壯麗中國夢 奮鬥烯谷年 中亞再出發

AHEAD

www.00063.cn

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



立責於心，履責於行

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wang Lijiao

Independent non-executive Directors

Mr. Lum Pak Sum (retired on 23 June 2021)
Mr. Duan Rihuang
Mr. Wang Rongfang (appointed on 23 June 2021)
Mr. Tso Sze Wai (appointed on 2 July 2021)

COMPANY SECRETARY

Ms. Wong Hoi Yan, Audrey (resigned on 1 July 2021)
Dr. Leung Wai Ping, Noel (appointed on 2 July 2021)

AUDITOR

ZHONGHUI ANDA CPA Limited

COMPANY LAWYER

Jeffrey Mak Law Firm

REGISTERED OFFICE

Clarendon House
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Hamilton HM 11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

Stock Code: 63, Hong Kong

WEBSITE

www.00063.cn

Chairman's Statement

In 2021, the Group's outstanding operational and management abilities and goal of becoming a comprehensive properties – internet – finance service provider led to continuous integration of businesses in various regions and brought steady growth in its operating results. Despite the implementation of a series of new regulatory policies, the Group remained true to its original intentions in respect of risk management, and maintained a stable and steady operation while closely monitoring its compliance risk.

In 2021, the Group's operations in Shenzhen and assets in Hong Kong were in increasingly good shape and significant progress was made in enhancing revenue from property management and other related services and controlling operational costs. This also signified that the Group's business in Hong Kong and Shenzhen is gradually on track and has become new footholds in its cross-regional network that provides services based on properties – internet – finance with strategical significance. The Group will continue to identify target investment projects and businesses in key cities of China and explore the internal value of such projects with the extensive management experience of the Group.

Meanwhile, the cooperation between the Group and its technology company is in progress. In the future, an online business platform based on the intelligent risk decision-making model will be launched. The Group will expand its customer base through online customer acquisition channels, and rely on the pure online business process to expand its business scale, save costs and achieve economies of scale. Going forward, the Group will continue to use technology to enhance operational efficiency and scalability to enable its transformation.

In 2022, the Group will make another important stride in the development of its business. Property management and other related services are ushering in a period of strategic opportunities for improved industry standardization and marketization, expansion of service boundaries, industrialized development of value-added services, and digital transformation. The Group will further enhance the competitive edge and synergies of regional businesses in line with its development strategy of stable and steady operation, and enhance and consolidate its long-term competitiveness. I would like to express my heartfelt gratitude to all directors, management and employees for their dedicated efforts in the year 2021. At the same time, I would like to thank our shareholders and customers for their long-term trust in us. Your support has been a great motivation for us.

On behalf of the Board
Huang Binghuang
Chairman and
Chief Executive Officer

Hong Kong, 29 March 2022

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2021 (the "Year"), China Asia Valley Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") continued to engage in property investment, provision of horticultural services and sales of plants, and property management and other related services.

Revenue of the Group increased by HK$20,594,000 or 119.6% from HK$17,216,000 for the year ended 31 December 2020 to HK$37,810,000 for the Year mainly due to an increase in revenue from the property management and other related services segment.

Property management and other related services

Since the second half of 2020, the Group expanded its property management and other related business in the People's Republic of China ("PRC") and entered into service contracts with two China properties developers (i) Shenzhen Houting Yayuan Investment Co., Ltd.* (深圳市后亭雅苑投資有限公司) with the properties managed located at Shajing East to Songsha Road South to Neway Factory West to Zhongting Road East Road, Bao'an District, Shenzhen* (深圳市寶安區沙井東至松沙路南至紐威廠西至中亭路北至中亭東路); (ii) Shenzhen Hongxing Yayuan Property Co., Ltd.* (深圳市紅星雅苑置業有限公司) with the properties manage located at Juncture of Songming Avenue and Baoan Avenue, Songgang Street, Bao'an District, Shenzhen* (深圳市寶安區松崗街道松明大道與寶安大道交匯處). The Group also provided property management and other related services with properties located at Shajing Centre, Shenzhen of the Guangdong – Hong Kong – Macao Greater Bay Area (粵港澳大灣區，深圳市沙井中心). During the Year, the Group recorded a revenue of HK$25,407,000 (2020: HK$3,847,000) from this business segment.

Horticultural services and sales of plants business

The Group also operates horticultural services and sales of plants business under the brand name of "Cheung Kee Garden", which has over forty years of history. Revenue from provision of horticultural services and sales of plants during the Year slightly increased by HK$204,000 or 3.2% from HK$6,310,000 for the year ended 31 December 2020 to HK$6,514,000 for the Year.

Property investment

Rental income derived from investment properties decreased by HK$1,170,000 or 16.6% from HK$7,059,000 for the year ended 31 December 2020 to HK$5,889,000 for the Year, mainly due to the decrease in the average rental income per apartment unit.

Operating and administrative expenses

Operating and administrative expenses increased by HK$3,592,000 or 14.2% from HK$25,276,000 for the year ended 31 December 2020 to HK$28,868,000 for the Year, mainly due to the increase in staff costs incurred in the property management and other related services segment in the PRC.

Finance costs

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs decreased by HK$1,386,000 or 28.8% from HK$4,814,000 for the year ended 31 December 2020 to HK$3,428,000 for the Year, due to a decrease in the average outstanding balances of bank loans and lease liabilities for the Year.

Loss for the Year

For the Year, the Group's loss attributable to the owners of the Company was HK$330,000 as compared to a loss attributable to the owners of the Company of HK$22,961,000 for the year ended 31 December 2020. The decrease in loss was primarily attributable to an increase in profit from the property management and other related services segment, which had been introduced by the Group since the second half of 2020, and the decrease in finance costs and the absence of the impairment loss on investment in associates of approximately HK$12,211,000 in respect of Taiwan investment of the Group for the Year.

Charge over the Group's assets

The Group has pledged its investment properties as collateral for bank borrowings. As at 31 December 2021, the fair value of those pledged investment properties amounted to HK$392,000,000 (2020: HK$392,000,000).

Bank loans of HK$160,000,000 as at 31 December 2021 (2020: HK$160,000,000) are secured by (i) the investment properties of HK$392,000,000 (2020: HK$392,000,000), (ii) a charge over deposits for the total principal amount of not less than HK$4,000,000 together with interest accrued thereon (2020: HK$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK$7,000,000 (2020: HK$6,000,000), (iv) assignment of rental income from investment properties to a designated bank account which is charged to the bank, and (v) maintenance of an occupancy rate of 60% or above in investment properties (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three months) (2020: 60%).

Gearing Ratio

Debt to equity gearing ratio of the Group as at 31 December 2021 is 127% (2020: 125%) being calculated by bank borrowings and shareholder's loan/shareholder's funds. Debt to asset gearing ratio of the Group as at 31 December 2021 is 54% (2020: 52%) being calculated by bank borrowings and shareholder's loan/total assets

Loss of control of our subsidiaries and deconsolidation from financial statements of the Company

The Company owns two indirectly held subsidiaries in Japan, namely WI Capital Co., Limited and WI Graphene Co., Limited ("WI Capital" and "WI Graphene" respectively). The auditor of the Company, ZHONGHUI ANDA CPA Limited, has expressed Qualified Opinion "limited accounting books and records of subsidiaries" in its audit reports in 2018, 2019 and 2020. The basis of the Qualified Opinion is due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of WI Capital and WI Graphene for the years ended 31 December 2018, 2019 and 2020, respectively.

Management Discussion and Analysis

In 2019, the then Board members had contacted the directors of WI Capital and WI Graphene to obtain the accounting documents relating to the business and financial operations for the annual audit. However, the directors of these subsidiaries refused to cooperate and provide the documents for audit and management control purposes. In September 2019, the new management team of the Company ("New Management"), comprising of executive directors, Mr. Huang Binghuang and Ms. Xia Ping and non-executive director, Ms. Wang Lijiao, has been established and the New Management has appointed consultants to Japan for obtaining necessary documents and has engaged legal representatives to communicate with the directors of these subsidiaries to collect the documents for audit purposes and to exercise the control of these two subsidiaries.

For example, in February 2020, the Company engaged a Hong Kong lawyer and in April 2020, the Company engaged a Japanese lawyer with the scope of work mainly to obtain financial and corporate documents from WI Capital and WI Graphene to complete the audit. The Company tried to appoint its staff to be the director of WI Capital in August 2020, but it was in vain because the legal representative refused to return the common seal of WI Capital to complete the change of board.

In September 2020, the Company received notice from its Japanese legal adviser that there was a suspected unauthorised transfer of equity interest in WI Graphene (the "Suspected Unauthorised Transfer"). The Company immediately sought legal advice from its legal advisers and reported the Suspected Transfer to both the Japan Police and Hong Kong Police ("the Police Authorities"); however, both Police Authorities did not proceed to take any action due to the limited information available for investigation.

Despite the repeated verbal and written requests, the director of WI Capital and WI Graphene had never provided any book of accounts to the Company for the preparation of its consolidated financial statements.

In August 2021, the New Management approached external professional parties to formulate appropriate directions in order to resolve the matter. After discussion with professional parties, and having considered that (i) even though there had been repeated requests from the New Management for the past two years, the directors of these two subsidiaries had persistently refused to respond to the New Management's requests and provide the books and records of WI Capital and WI Graphene; and (ii) that the Company could not appoint its representatives to be director of these two subsidiaries, the New Management is of the view that such facts indicate that the Company could not control the composition of the board of directors of these two subsidiaries. On 7 January 2022, the Management sent an email to the director of WI Capital to request him to provide the accounting records for the year ended 31 December 2021, but all such attempts were in vain.

Therefore, based on those facts described above, the Board concluded that despite the fact that all steps considered to be reasonable by the New Management have been taken, the Company no longer had the power to govern the financial and operating policies of WI Capital and WI Graphene, and the control over them was lost on 31 December 2021. Given the situation described above, the Board is of its view that the Company does not have the necessary books of records to prepare accurate and complete financial statements for WI Capital and WI Graphene. The Company therefore deconsolidated WI Capital and WI Graphene (the "Deconsolidated Subsidiaries") from its consolidated financial statements since 31 December 2021 (the "Deconsolidation"). As such, the assets and liabilities of the Deconsolidated Subsidiaries as at 31 December 2021 have not been included into the consolidated financial statements of the Group as at that date.

Management Discussion and Analysis

PROSPECT

Looking ahead, the Group targets to develop the property management and other related services segment which enhances the Group's revenue and profit in future.

Since 2020, the Group has expanded its property management and other related business in Mainland China, and the revenue of this business segment increased from HK$3.8 million in the financial year ended 2020 to HK$25.4 million in the financial year ended 2021. The management of the Group (the "Management") aims to explore the expansion of this segment by increasing the number of properties under the property management services in future. The Management also seeks to develop the "Valley Property" service brand, continuously optimising and upgrading its property service system, cultivating traditional property services, and taking advantage of the "Internet+" era to build a community platform that meets customers' needs for quality living with customer value at the core.

The Management further advises that on 18 November 2021, the Group and Shenzhen Tanggang China Asia Electronic City Group Co., Ltd.* (深圳市坣崗中亞電子城集團有限責任公司) ("STCAEC") entered into a memorandum of understanding (the "MOU"). Pursuant to the MOU, there will be potential leasing cooperation (the "Potential Cooperation") among the parties with respect to the sustainable development of a property held by STCAEC and located in Bao'an District, Shenzhen, Mainland China. The Management believes that this strategic cooperation will not only expand the company's business and enhance its returns, but also improve its market competitiveness. The Management also believes that strategic cooperation can actively expand business layout, improve business operation capacity, and allow the Group to quickly tap into the market opportunities in Shenzhen and the broader Mainland China. The Management further believes that the Potential Cooperation is in line with the Group's strategy of business consolidation, and is fair and reasonable and in the interest of the Company and its shareholders as a whole. The Management will inform the shareholders and potential investors of the business update on the Group's development on such cooperation with STCAEC.

Further, the Management has addressed the qualified audit opinion concerning the investment in Japan and Taiwan. The Group disposed of its Taiwan investment in January 2022, and the Management is exploring the appropriate means to solve the loss of control in the Deconsolidated Subsidiaries. If the audit issues of these two investments can be resolved, the Management would focus our resources to develop the business of the Group for the benefit of the Company.

Nevertheless, the Management and the Board strive to enhance the shareholder value of the Company in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

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

Management Discussion and Analysis

As at 31 December 2021, there was outstanding bank loans in the principal sum of HK$160,000,000 (2020: HK$160,000,000). The Group's working capital requirements in 2021 are funded by bank loans and advanced from its holding companies and controlling shareholder totalling HK$68,000,000 (2020: HK$58,000,000). The bank loans were due in March 2022. On 16 March 2022, the Company was informed by the bank that subject to formal documentation, the bank loans had in principle been approved for an extension of a half year.

The Group recorded net current liabilities of approximately HK$215,020,000 as at 31 December 2021 (2020: HK$221,717,000).

The Company has received written confirmation from its controlling shareholder that he will continue to provide financial support to the Company to meet all the obligation of the Company to the extent that it is unable to meet those obligations itself.

EMPLOYEES

As at 31 December 2021, the Group had a total of 117 employees (2020: 144), including directors. Employee salaries and benefits expenses for the year ended 31 December 2021 amounted to approximately HK$16,733,000 (2020: HK$11,447,000).

PLEDGE OF ASSETS

As at 31 December 2021, investment properties and bank deposits with an aggregate value of not less than of approximately HK$405,248,000 (2020: HK$403,082,000) were pledged to the bank to secure bank loans granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

DIVIDEND POLICY

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

Directors' Report

The directors hereby present their report together with the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 37 to the financial statements.

BUSINESS REVIEW

Business review and prospects

A business review of the Group's and a discussion and analysis of the Group's performance during the year ended 31 December 2021, the financial position and an indication of likely future development in the Company's business are set out in section headed "Management Discussion and Analysis" on pages 4 to 8 of this Annual Report.

Principal risks and uncertainties

The major risks facing the Group are summarized below.

Impact of local and international regulations

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

Third-party risk

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

BUSINESS REVIEW (CONTINUED)

Environmental policies and performance

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

Details of the Company's environmental policy and performance are published in the separate Environmental, Social and Governance Report which will be available at the Company's website and the website of the Stock Exchange not later than 5 months after the 31 December 2021.

Compliance with laws and regulations

The incorporation places of the Company and its subsidiaries includes Bermuda, Hong Kong, the British Virgin Islands (the "BVI"), the People's Republic of China, Japan and an associate company in Cayman Islands. The Group's operations are carried out by the Company's subsidiaries in Hong Kong, Mainland China and Japan while the Company itself is listed on the Stock Exchange of Hong Kong Limited. Our establishment and operations accordingly shall comply with relevant laws and regulations of Bermuda, Hong Kong, Mainland, China, the BVI, Japan and Cayman Islands. During the year ended 31 December 2021, we have complied with all the relevant laws and regulations in the statutory and business operation.

Key relationships with employees, customers and suppliers

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

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

FINANCIAL STATEMENTS

The results and cash flows of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 100.

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021.

As at the date of this Annual Report, the Directors were not aware of that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on the page 102 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was Nil (2020: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33% (2020: 41%) of the total sales for the year and sales to the largest customer included therein amounted to 12% (2020: 24%).

MAJOR CUSTOMERS AND SUPPLIERS (CONTINUED)

Purchases from the Group's five largest suppliers accounted for 77% (2020: 73%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 30% (2020: 31%).

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

BOARD'S VIEW ON AUDITOR'S QUALIFIED OPINION

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by ZHONGHUI ANDA CPA Limited (the "Auditor"). The Auditor expressed qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2021 (the "Qualified Opinion"), the "except for" opinion on the availability of sufficient audit evidence from overseas associates and subsidiaries for the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

The details of the Qualified Opinion and its actual or potential impact on the Company's financial position are set out in the Independent Auditor's Report on pages 34 to 38 of this Annual Report. Throughout the year ended 31 December 2021, the Company has made various attempts to resolve the qualified opinion expressed by the auditors of the Company for the financial years ended 31 December 2018, 2019 and 2020 (and with a view of avoiding further qualified opinions expressed by the Auditor for the year ended 31 December 2021), including but not limited to the followings: The Company has continuously investigated the cause of the relevant events surrounding the Qualified Opinion and has exhausted various means to obtain relevant information to satisfy the Auditor's information requests.

The Company has also on occasions made specific demands to former management personnel of the Company requesting for a consultation in relation to the circumstance pertaining to the Qualified Opinion, and has instructed its legal advisers to issue formal legal requests in that regard.

Five Color Stone Technology Corporation ("Five Color Stone") (Qualification 1)

As disclosed in the annual report of the Company for the year ended 31 December 2020 and its interim report for the six months ended 30 June 2021, the Company persistently demanded Five Color Stone to provide the required information and documents for audit, and has taken various actions including setting up meetings between two consultants of the Company and the sole director of Five Color Stone and making contact with such director through the Hong Kong lawyer of the Company. Despite the Company's persistent demand and effort, such attempts were in vain. In light of the non-controlling stake that the Group held in Five Color Stone, and after careful consideration, the Company decided not to further invest in Five Color Stone.

BOARD'S VIEW ON AUDITOR'S QUALIFIED OPINION (CONTINUED)

Five Color Stone Technology Corporation ("Five Color Stone") (Qualification 1) (Continued)

Reference is made to the Company's announcement released on 12 January 2022. On 12 January 2022, the Group entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Share, representing the entire issued shares of the Sky Heritage Holdings Limited, ("Disposal Company"), at a total consideration of HK$10,000. As shown in the 2017 annual report of the Company, the Disposal Company held 28% of the issued shares in the Five Color Stone, an investment holding company, which in turn held the entire equity interest in the Taiwan Xigu, an investment holding company, and 80% equity interest in Taiwan Mutron, a company principally engages in manufacturing and sale of graphene and graphene-related products, respectively. Completion took place immediately following the execution of the Sale and Purchase Agreement.

The management of the Company had consulted the Auditors and was given to understand that if the disposal had completed on or before 31 December 2022 as expected, Qualification 1 would be on the comparative figures in 2021 in the consolidated financial statements for the year ended 31 December 2022 and the profit or loss figures for the year ended 31 December 2022 and would not have any impact on the consolidated statement of financial position as at 31 December 2022.

WI Capital and WI Graphene (Qualification 2)

As explained in Management Discussion And Analysis Section of this Annual Report, WI Capital and WI Graphene (collectively "Deconsolidated Subsidiaries") were deconsolidated from the Group since 31 December 2021 as a result of the situation that the Company could not exercise control over certain subsidiaries due to the continuing uncooperative behavior of the directors of those subsidiaries. No sufficient evidence has been provided the auditor to satisfy themselves as to whether the Company had lost control of those subsidiaries on 31 December 2021.

The management is now seeking for a potential buyer to acquire the interests in the Deconsolidated Subsidiaries. The management of the Company had consulted the Auditors and was given to understand that if the disposal of Deconsolidated Subsidiaries had completed on or before 31 December 2022 as expected, Qualification 2 would be on the comparative figures in 2021 on the consolidated financial statements for the year ended 31 December 2022 and the profits or loss figures for the year ended 31 December 2022 and would not have any impact on the consolidated statement of financial position as at 31 December 2022. The Directors consider the disposal provides a good opportunity for the Group to realise its investment in the Deconsolidated Subsidiaries, to address the issue arising from the Qualified Opinion in the financial statements of the coming financial years, and to focus its resources to develop the business of the Group for the benefit of the Company.

Directors' Report

BOARD'S VIEW ON AUDITOR'S QUALIFIED OPINION (CONTINUED)

WI Capital and WI Graphene (Qualification 2) (Continued)

The Audit Committee is of the view that the Company has used reasonable endeavour to address Qualification 2, after considering that (i) the Company has made repeated attempts to obtain the necessary support from the management of the Deconsolidated Subsidiaries and to gain access to the books and records of the Deconsolidated Subsidiaries; (ii) the Company has engaged its Japanese legal advisers to take legal actions to uphold its shareholders' rights with respect to the Deconsolidated Subsidiaries; and (iii) the Company has sought a purchaser to dispose of the Group's interest in the Deconsolidated Subsidiaries.

DIRECTORS

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

Executive directors:

Mr. Huang Binghuang *(Chairman and Chief Executive Officer)*
Ms. Xia Ping
Mr. Zhao Juqun (resigned on 1 April 2021)

Non-executive director:

Ms. Wang Lijiao

Independent non-executive directors:

Mr. Lum Pak Sum (retired on 23 June 2021)
Mr. Duan Rihuang
Mr. Wang Rongfang (appointed on 23 June 2021)
Mr. Tso Sze Wai (appointed on 2 July 2021)

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

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-law 166(1), the directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to any of said persons. Such provision was in force during the year ended 31 December 2021 and remained in force as of the date of this report as required by section 470 of the Hong Kong Companies Ordinance.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme as set out in the section headed "Share Option Scheme", at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in the section headed "Share Option Scheme", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Long Positions in Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number and class of shares held	Percentage
Huang Binghuang	Interest of controlled corporation	2,112,395,735 ordinary shares	74.93%

Note:

Mr. Huang Binghuang ("Mr. Huang") was deemed to be interested in the 2,112,395,735 shares held by China Asia Graphene Holding Group Co. Limited as Mr. Huang indirectly holds 90% of the shares of China Asia Graphene Holding Group Co. Limited.

Save as disclosed above, as at 31 December 2021, none of the directors and the chief executive of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

Purpose of the scheme

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

Participants of the scheme

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

SHARE OPTION SCHEME (CONTINUED)

Total number of shares available for issue

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

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

During the year ended 31 December 2021, no Option had been granted, exercised, lapsed, or was cancelled under the Scheme and there were no outstanding options under the Scheme.

Maximum entitlement of each participant

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

Time of exercise of option

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

Acceptance of offer

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

Basis of determining the exercise price

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

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

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

(c) the nominal value of a Share.

SHARE OPTION SCHEME (CONTINUED)

Remaining life of the Scheme

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 36 to the financial statements, no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF INFORMATION ON DIRECTORS

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

DIRECTORS' REMUNERATION

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

RELATED PARTY TRANSACTIONS

Details of transactions between the Group and parties regarded as "Related Parties" under applicable accounting principles are set out in note 36 to the financial statements. No transaction disclosed thereto constitutes connected transaction or continuing connected transaction of the Company subject to, among other things, reporting, announcement or independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors or any of their respective close associates (as defined in the Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2021, the interests or short positions of the following substantial shareholders (other than persons who were directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions in shares and underlying shares of the company:

Name of shareholders	Nature of interest	Number and class of shares held	Percentage
China Asia Group (HK) Limited (Note 1)	Interest of controlled corporation	2,112,395,735	74.93%
Zhengbo International Corporation (Note 2)	Interest of controlled corporation	2,112,395,735	74.93%
深圳市中亞實業發展有限公司 (Note 3)	Interest of controlled corporation	2,112,395,735	74.93%
China Asia Graphene Holding Group Co. Limited	Beneficial Owner	2,112,395,735	74.93%

Notes:

1. China Asia Group (HK) Limited holds 41% of the beneficial interests in China Asia Graphene Holding Group Co. Limited which holds 2,112,395,735 shares of the Company. Therefore, China Asia Group (HK) Limited is deemed to have 2,112,395,735 shares of the Company held by China Asia Graphene Holding Group Co. Limited.

2. Zhengbo International Corporation holds 59% of the beneficial interests in China Asia Graphene Holding Group Co. Limited which holds 2,112,395,735 shares of the Company. Therefore, Zhengbo International Corporation is deemed to have 2,112,395,735 shares of the Company held by China Asia Graphene Holding Group Co. Limited.

3. 深圳市中亞實業發展有限公司 is the sole shareholder of China Asia Group (HK) Limited. With reference to Note 2 above, 深圳市中亞實業發展有限公司 is deemed to have 2,112,395,735 shares of the Company held by China Asia Graphene Holding Group Co. Limited.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES (CONTINUED)

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

Save as disclosed above, as at 31 December 2021, the Company had not been notified of any other persons (other than persons who were directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

LOAN AGREEMENT

1. On 22 April 2021, the Company accepted a revised facility letter relating to a term loan facility in an aggregate amount of HK$200,000,000 (the Facility" or the "First Facility Letter") offered by a licensed bank in Hong Kong (the "Bank").

   The Company entered into a facility letter (the "First Facility Letter") and the subsequent revised facility letters with a license bank in Hong Kong (the "Bank") for the bank borrowings.

   The terms of the First Facility Letter and revised facility letters at is as follows:

   (a) Out of the Facility of HK$200 million, it was revised that HK$120 million and HK$40 million to be repaid in full by 15 March 2022 and 30 March 2022 or later date as the Bank agreed;

   (b) During the facility period, deposits (excluding the charged portion of HK$4 million) maintained by the Company and Super Homes Limited with the Bank shall not be less than HK$7 million;

   (c) HK$150,000 shall be paid by the Company as the Bank's administrative fees for the adjustment of the Facility;

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

   (e) The minimum occupancy rate of the Company's properties was 60% or above within three months.

2. On 16 March 2022, the Company was informed by the bank that subject to formal documentation, the bank loans had in principle been approved for an extension of a half year.

SUBSEQUENT EVENT

Details in relation to the actions taken by the Company in relation to the Qualified Opinion after 31 December 2021 are disclosed in pages 12 to 13 of this Annual Report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

PUBLIC FLOAT

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

AUDITORS

A resolution was approved by the shareholders at the annual general meeting of the Company held on 23 June 2021, ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was re-appointed as the auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2021 were audited by ZHONGHUI. ZHONGHUI shall retire as auditor of the Company at the forthcoming annual general meeting. A resolution for the re-appointment of ZHONGHUI as auditor of the Company will be proposed at the forthcoming annual general meeting.

There was no charge in auditors in any of the preceding three years.

On behalf of the Board

Huang Binghuang
Chairman

Hong Kong, 29 March 2022

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's code on corporate governance practices was adopted by reference to the provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. For the year ended 31 December 2021 ("Year"), the Company has complied with all the code provisions set out in the CG Code except the following:

Deviation from Code Provision A.2.1 of the CG Code

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chief executive officer was performed by Mr. Huang Binghuang, who was also the chairman of the Company for the Year. The Board believes that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, it is considered that the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

Composition of the Board of Directors

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

Executive directors:

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

Non-executive director:

Ms. Wang Lijiao

Independent non-executive directors:

Mr. Lum Pak Sum (retired on 23 June 2021)
Mr. Duan Rihuang
Mr. Wang Rongfang (appointed on 23 June 2021)
Mr. Tso Sze Wai (appointed on 2 July 2021)

The following table shows the attendance of each individual member of the Board at the respective meetings of the Board and the respective Board Committees as well as the general meeting held during the Year.

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive directors:					
Mr. Huang Binhuang	6/6	N/A	N/A	1/2	1/1
Ms. Xia Ping	6/6	N/A	1/1	N/A	1/1
Mr. Zhao Juqun (Note 1)	2/2	N/A	N/A	N/A	N/A
Non-executive director:					
Ms. Wang Lijiao	6/6	2/2	N/A	N/A	0/1
Independent non-executive directors:					
Mr. Lum Pak Sum (Note 2)	5/5	1/1	1/1	2/2	1/1
Mr. Duan Rihuang	5/6	2/2	1/1	2/2	1/1
Mr. Wang Rongfang (Note 3)	1/1	1/1	N/A	N/A	N/A
Mr. Tso Sze Wai (Note 4)	1/1	1/1	N/A	N/A	N/A

BOARD OF DIRECTORS (CONTINUED)

Composition of the Board of Directors (Continued)

Notes:

1. Mr. Zhao Juqun resigned on 1 April 2021.
2. Mr. Lum Pak Sum retired on 23 June 2021.
3. Mr. Wang Rongfang was appointed on 23 June 2021.
4. Mr. Tso Sze Wai was appointed on 2 July 2021.

Functions of the Board

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

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

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

Non-compliances with Rules 3.10, 3.21 and 3.25 of the Listing Rules

1. On 30 December 2020, Dr. Wong Yun Kuen resigned as an independent non-executive director of the Company ("INED") and ceased to be the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company as he would like to devote more time to his other business engagement. As a result, the Company failed to comply with (i) Rule 3.10(1) of the Listing Rules as the Company only had two INEDs, which fell below the minimum requirement of three INEDs; and (ii) Rule 3.25 of the Listing Rules as its remuneration committee of the Company was not chaired by an INED.

2. On 23 June 2021, upon the conclusion of the Company's annual general meeting, (i) the appointment of Mr. Wang Rongfang ("Mr. Wang") as an INED, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company had become effective; and (ii) Mr. Lum Pak Sum retired as an INED and ceased to act as the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company. Following the above, the Company re-complied with Rule 3.25 of the Listing Rules but remained unable to meet the requirements in Rule 3.10 and Rule 3.21 of the Listing Rules.

3. On 2 July 2021, Mr. Tso Sze Wai ("Mr. Tso") was appointed as an INED and the chairman of the audit committee of the Company. Following the appointment of Mr. Tso, the Company has had three INEDs, one of whom (i.e. Mr. Tso, who is also the chairman of the audit committee) is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company has therefore re-complied with Rules 3.10 and 3.21 of the Listing Rules.

BOARD OF DIRECTORS (CONTINUED)

Directors' continuous professional development

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

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

CHAIRMAN

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

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

Audit committee

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

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

Mr. Lum Pak Sum *(Chairman of the Audit Committee)* (retired on 23 June 2021)
Ms. Wang Lijiao
Mr. Duan Rihuang
Mr. Wang Rongfang (appointed on 23 June 2021)
Mr. Tso Sze Wai *(Chairman of the Audit Committee)* (appointed on 2 July 2021)

BOARD COMMITTEES (CONTINUED)

Audit committee (Continued)

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

a. the consolidated financial statements for the year ended 31 December 2020 of the Group, with a recommendation to the Board for approval;

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

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

d. the audit process and its effectiveness, audit fees and independence and objectivity of the external auditors for the Year, with a recommendation to the Board for approval; and

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

The Audit Committee has reviewed the consolidated financial statements for the Year of the Group, with a recommendation to the Board for approval.

Remuneration committee

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

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

Mr. Wang Rongfang *(the Chairman of the Remuneration Committee)*
(appointed on 23 June 2021)
Mr. Duan Rihuang
Mr. Lum Pak Sum (retired on 23 June 2021)
Ms. Xia Ping

BOARD COMMITTEES (CONTINUED)

Remuneration committee (Continued)

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

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

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

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

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the Year is set out below:–

In the board of	Number of individuals
Nil to HK$1,000,000	2

Nomination committee

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

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

Mr. Huang Binghuang *(the Chairman of the Nomination Committee)*
Mr. Lum Pak Sum (retired on 23 June 2021)
Mr. Duan Rihuang
Mr. Wang Rongfang (appointed on 23 June 2021)

BOARD COMMITTEES (CONTINUED)

Nomination committee (Continued)

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

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

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

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

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

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

NOMINATION POLICY

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

BOARD DIVERSITY POLICY

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 34 to 38 of the Annual Report 2021.

AUDITOR'S REMUNERATION

For the Year, the auditor of the Company and its subsidiaries would receive approximately HK$880,000 (2020: HK$880,000) for audit and audit related services, and HK$140,000 for review on the interim report in 2021 (2020: HK$140,000).

COMPANY SECRETARY

Ms. Wong Hoi Yan, Audrey resigned as the Company Secretary of the Company on 1 July 2021. Dr. Leung Wai Ping, Noel, the member of the Hong Kong Institute of Certified Public Accountants, was appointed as the Company Secretary with effect form 2 July 2021 and who had taken not less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

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

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

Putting enquiries to the board

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

Putting forward proposals at shareholders' meeting

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

INVESTOR RELATIONS

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

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

AMENDMENT TO BYE-LAWS

The Company did not amend its Bye-laws during the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Directors' Biographies

EXECUTIVE DIRECTOR

Mr. Huang Binghuang ("Mr. Huang"), aged 50, was appointed as an executive director, the chairman of the Board, the chief executive officer of the Company and the chairman of the Nomination Committee on 30 September 2019. He graduated from the Chongqing University. He was the largest shareholder, executive director, CEO and Chief Operating Officer of Grand Field Group Holdings Limited (stock code: 115), a company listed on the Main Board of The Stock Exchange of Hong Kong from February 2007 to October 2008. He served as a consultant to the dean of Peking University, a member of Tenth Committee of the Chinese People's Political Consultative Conference (CPPCC) of Jiangxi Province and the special representative of Hong Kong and Macau of the Eleven Session of the CPPCC, a director of Overseas Friendship Association of Jiangxi. He also served as the executive vice chairman of the Hong Kong-Jiangxi Association of Societies, honorary chairman of the China-Africa Investment Club, vice chairman of the International Economic Development Research Center, honorary president of the China Forestry and Environment Promotion Association, vice president of the China Federation of Modern Service Industries, officer of the China Brand and Integrity Magazine (Shenzhen) Office, director of the Shenzhen Federation of Industry and Commerce, China Society for Promotion of the Guangcai Program, president of the Lions Clubs of Central Asia, and honorary chairman of many higher education and industry institutions. Mr. Huang is deemed to be interested in the 2,112,395,735 shares held by China Asia Graphene Holding Group Co. Limited as Mr. Huang indirectly holds 90% of the shares of China Asia Graphene Holding Group Co. Limited, which would fall to be disclosed to the listed issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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

NON-EXECUTIVE DIRECTOR

Ms. Wang Lijiao ("Ms. Wang"), aged 41, was appointed as an non-executive director of the Company and a member of the Audit Committee on 30 September 2019. Ms. Wang is the director of China Asia Graphene Holding Group Co. Limited and China Asia Group (HK) Limited. She has served as the chief financial officer of China Asia Zhi Ye Group Limited Company (中亞置業集團有限公司) since 8 April 2008.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Duan Rihuang ("Mr. Duan"), aged 64, was appointed as an independent non-executive Director of the Company, a member of the Remuneration Committee, the Nomination Committee and the Audit Committee on 12 June 2020. Mr. Duan has over 26 years of experience in the managerial field. From 1987 to 1991, Mr. Duan held the position of the general manager of 江西聯城旅遊出租有限公司 (Jiangxi Liancheng Tourism Rental Company Limited*). During the period from 1992 to 1998, Mr. Duan was the vice chairman and the general manager of 江西百龍實業有限公司 (Jiangxi Bailong Shiye Company Limited*). From 2005 to 2010, Mr. Duan held the position as general manager of 江西瑞吉通訊技術有限公司 (Jiangzi Ruiji Communication Technology Company Limited*). Currently, Mr. Duan is the vice chairman of 江南閥門有限公司(Jiangnan Valve Company Limited*).

Mr. Wang Rongfang ("Mr. Wang"), aged 59, was appointed as the independent non-executive Director of the Company, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effective from 23 June 2021. Mr. Wang graduated from Quanzhou Normal University*（泉州師範學院）in 1982 and obtained a bachelor's degree in philosophy. Mr. Wang has over 20 years' experience in construction and project management. In 2006, he served as the project manager (general management) of Fujian Huidong Construction Co., Ltd.*（福建惠東建築工程有限公司）in charge of the Riverside Hill Town Project*（水岸山城工程項目）in Fenggang Town, Dongguan, Guangdong. From 2008 to 2011, he served as the project head with Fujian Bajian Construction Co., Ltd.*（福建八建建築工程有限公司）in charge of the Shenzhen Bao'an Shajing Bogang Unified Building Project*（深圳寶安沙井壆崗統建樓工程項目）. From 2012 to 2014, he served as the project general manager and deputy manager with Fujian Five Construction Development Group Co., Ltd.*（福建省五建建設集團有限公司）in charge of the China 20 MCC Zhuhai Hengqin Municipal Engineering (Ninth Section) Project*（中國二十冶珠海橫琴市政工程第九標段）. From 2014 to 2017, he served as the project head (general management) with Fujian Mingcheng Construction (Group) Co., Ltd.*（福建名城建工有限公司）in charge of the Evergrande Lvzhou Phase II Project*（恒大綠洲二期工程項目）. From 2017 to 2018, he served as the project head (general management) of Engineering Company of CCCC Fourth Harbor Engineering Co., Ltd*（中交四航局第三工程有限公司）in charge of the Kaichun Expressway Section TJO8 First Work Zone Road Foundation Project*（開春高速路TJO8標第一工區路基工程項目）. In 2019, he served as the project head of MCC 1 Malaysia 8cnlag Labour Service Construction Project（一冶馬來西亞8cnlag勞務施工項目）with MCC International (M) Sdn. Bhd.*（中冶國際馬來西亞有限公司）. Since April 2020, he has been serving as the deputy general manager of Zhongan Zhonghui (Shenzhen) Industrial Co., Ltd.*（中安中慧（深圳）實業有限公司）.

Mr. Tso Sze Wai ("Mr Tso"), age 51, was appointed as an independent non-executive Director and the chairman of the Audit Committee, on 2 July 2021.

Mr. Tso holds a bachelor's degree in Commerce awarded by University of New South Wales, Australia and a postgraduate diploma in Computing awarded by the University of Western Sydney, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tso currently serves as an independent non-executive director of China Jicheng Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1027), since October 2016. He is also an independent non-executive director of a company the shares of which are listed on the Singapore Stock Exchange, namely Net Pacific Financial Holdings Limited (stock code: SGX:5QY), since July 2020. He has over 20 years of experience in accounting, corporate finance and corporate secretarial matters. He was a company secretary of Green Energy Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 979). Prior to that, he had held senior management positions in a number of listed companies in Hong Kong and Singapore.

Independent Auditor's Report

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

QUALIFIED OPINION

We have audited the consolidated financial statements of China Asia Valley Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 100, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Investment in associates

Five Color Stone Technology Corporation

No sufficient evidence has been provided to satisfy ourselves as a consequence of the Company could not obtain sufficient accounting books and records of the associates for audit purpose due to the continuing uncooperative behavior of the relevant directors of the associates. As such, our opinion are qualified in these respect, as to: (i) the carrying amount of the investment in associates with carrying value of HK$Nil as at 31 December 2021 and 2020; and whether (ii) the impairment loss on investment in associates of approximately HK$12,211,000 for the year ended 31 December 2020 and (iii) share of loss of HK$Nil of investment in associates for the years ended 31 December 2021 and 2020 are properly recognised.

2. Deconsolidation and limited accounting books and records of WI Capital Co., Limited and WI Graphene Co., Limited (collectively referred to as the "WI Group")

As explained in note 2 to the consolidated financial statements for the year ended 31 December 2021, certain subsidiaries of the Company were deconsolidated from the Group since 31 December 2021 as a result of the situation that the Company could not exercise control over certain subsidiaries due to the continuing uncooperative behavior of those subsidiaries' directors. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of those subsidiaries on 31 December 2021.

In addition, no sufficient evidence has been provided to satisfy ourselves concerning these deconsolidated subsidiaries, as to the completeness of the transactions of the Group entered into for the year ended 31 December 2021 and the Group's financial position as at 31 December 2021. For the year ended 31 December 2021, the validity of the operating and administrative expenses of approximately HK$441,000 and gain on deconsolidation of subsidiaries of approximately HK$632,000 are also qualified in these respects.

Furthermore, no sufficient evidence has been provided to satisfy ourselves as to the classification and amount of the remaining investment in the WI Group as at 31 December 2021.

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of WI Group for the year ended 31 December 2020, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2020; the assets and liabilities as at 31 December 2020; and the segment information and other related disclosure notes in relation to the Group, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements:

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

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

Any adjustments to the figures as described from points 1 and 2 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2021 and 2020 and the consolidated financial positions of the Group as at 31 December 2021 and 2020, and the related disclosures thereof in the consolidated financial statements.

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

Material Uncertainty Related to the Going Concern

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred a loss of approximately HK$330,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK$215,020,000. These conditions indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Investment Properties

Refer to Note 20 to the consolidated financial statements

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of HK$392,000,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates. Our audit procedures included, among others:

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

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

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

– Checking arithmetical accuracy of the valuation model; and

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

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	**37,810**	17,216
Cost of sales and services		**(6,377)**	(1,016)
Gross profit		**31,433**	16,200
Other income	8	**504**	1,223
Other gains	9	**–**	2,000
Gain on deconsolidation of subsidiaries	32	**632**	–
Impairment loss on investment in associates		**–**	(12,211)
Operating and administrative expenses		**(28,868)**	(25,276)
Profit/(loss) from operations		**3,701**	(18,064)
Finance costs	11	**(3,428)**	(4,814)
Profit/(loss) before taxation		**273**	(22,878)
Income tax expenses	12	**(603)**	(70)
Loss for the year	13	**(330)**	(22,948)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**161**	2
Exchange differences reclassified to profit or loss on deconsolidation of subsidiaries		**5,501**	–
Other comprehensive income for the year, net of tax		**5,662**	2
Total comprehensive income for the year		**5,332**	(22,946)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(330)**	(22,961)
Non-controlling interests		**–**	13
		(330)	(22,948)
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,332**	(22,959)
Non-controlling interests		**–**	13
		5,332	(22,946)
Loss per share	17		
Basic (HK cent(s) per share)		**(0.01)**	(0.81)
Diluted (HK cent(s) per share)		**(0.01)**	(0.81)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,192**	2,364
Right-of-use assets	19	**1,240**	2,304
Investment properties	20	**392,000**	392,000
Investment in associates	21	**–**	–
		394,432	396,668
Current assets			
Inventories	22	**603**	474
Trade and other receivables	23	**9,359**	6,622
Pledged bank deposits	24	**13,248**	11,082
Cash and cash equivalents	24	**5,991**	2,732
		29,201	20,910
Current liabilities			
Trade and other payables	25	**82,854**	81,282
Current tax liabilities		**280**	74
Lease liabilities	27	**1,087**	1,271
Bank borrowings	26	**160,000**	160,000
		244,221	242,627
Net current liabilities		**(215,020)**	(221,717)
Total assets less current liabilities		**179,412**	174,951
Non-current liability			
Lease liabilities	27	**184**	1,055
NET ASSETS		**179,228**	173,896
Capital and reserves			
Share capital	29	**140,955**	140,955
Reserves	31	**38,273**	32,928
Equity attributable to owners of the Company		**179,228**	173,883
Non-controlling interests		**–**	13
TOTAL EQUITY		**179,228**	173,896

The consolidated financial statements on pages 39 to 100 are approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2020	140,955	26,770	121	(5,433)	34,429	196,842	–	196,842
Total comprehensive income for the year	–	–	–	2	(22,961)	(22,959)	13	(22,946)
At 31 December 2020	140,955	26,770	121	(5,431)	11,468	173,883	13	173,896
At 1 January 2021	**140,955**	**26,770**	**121**	**(5,431)**	**11,468**	**173,883**	**13**	**173,896**
Total comprehensive income for the year	**–**	**–**	**–**	**5,662**	**(330)**	**5,332**	**–**	**5,332**
Acquisition of non-controlling interests without a change in control	**–**	**–**	**–**	**1**	**12**	**13**	**(13)**	**–**
At 31 December 2021	**140,955**	**26,770**	**121**	**232**	**11,150**	**179,228**	**–**	**179,228**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 *HK$'000*	2020 *HK$'000*
Cash flows from operating activities		
Profit/(loss) before taxation	**273**	(22,878)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	**1,827**	2,538
Interest income	**(31)**	(66)
Finance costs	**3,428**	4,814
Write off of other receivables	**110**	–
Allowance/(reversal of allowance) for inventories	**29**	(39)
Gain on deconsolidation of subsidiaries	**(632)**	–
Net gain of modification of lease	**–**	(35)
Fair value gain on investment properties	**–**	(2,000)
Impairment loss on trade receivables	**–**	182
Impairment loss on investment in associates	**–**	12,211
Operating cash flows before working capital changes	**5,004**	(5,273)
Change in inventories	**(158)**	97
Change in trade and other receivables	**(4,708)**	(202)
Change in trade and other payables	**647**	7,682
Cash generated from operations	**785**	2,304
Income tax paid	**(402)**	–
Net cash generated from operating activities	**383**	2,304
Cash flows from investing activities		
Purchase of property, plant and equipment	**(641)**	(397)
Change in pledged bank deposits	**(2,167)**	(807)
Net cash outflow for deconsolidation of subsidiaries	**(13)**	–
Interest received	**31**	66
Net cash used in investing activities	**(2,790)**	(1,138)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Cash flows from financing activities		
Advance from the ultimate holding company	**10,000**	40,000
Advance from the immediate holding company	**–**	3,000
Advance from a shareholder of immediate holding company	**–**	3,000
Repayment of bank borrowings	**–**	(40,000)
Repayment of lease liabilities	**(1,110)**	(1,394)
Interest paid	**(3,373)**	(4,740)
Net cash generated from/(used in) financing activities	**5,517**	(134)
Net increase in cash and cash equivalents	**3,110**	1,032
Effect of foreign exchange rate changes	**149**	(10)
Cash and cash equivalents at beginning of year	**2,732**	1,710
Cash and cash equivalents at end of year	**5,991**	2,732
Analysis of cash and cash equivalents		
Bank balances and cash	**5,991**	2,732

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

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

2. BASIS OF PREPARATION

Going concern basis

The Group incurred a loss of approximately HK$330,000 for the year ended 31 December 2021 and the Group had net current liabilities of approximately HK$215,020,000 as at 31 December 2021. Notwithstanding this fact, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months from 31 December 2021 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 31 December 2021, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months from 31 December 2021 and the Directors consider that the Group is financially viable to continue as a going concern.

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

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

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

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

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. The Directors consider that the Company no longer had the power to govern the financial and operating policies of WI Capital Co., Limited and WI Graphene Co., Limited (hereinafter collectively known as the "WI Group"), and the control over them was lost since 31 December 2021 due to the continuing uncooperative behavior of WI Group's directors. The Directors considered that the control over the following subsidiaries had been lost since 31 December 2021. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 31 December 2021.

(1) WI Capital Co., Limited

(2) WI Graphene Co., Limited

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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

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

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

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(i) Functional and presentation currency

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

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

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

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessee

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

Land and buildings	2 years

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

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below HK$39,000.

The Group as lessor

Operating leases

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Horticultural plants

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

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

Recognition and derecognition of financial instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

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

Financial assets of the Group are classified at financial assets at amortised cost.

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

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

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

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

Loss allowances for expected credit losses

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Other financial liabilities

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

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

Interest income is recognised using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income (subject to a ceiling of monthly relevant income of HK$30,000). Contributions to the plan vest immediately.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

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

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of non-financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgments in applying accounting policies

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

a) Going concern basis

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgments in applying accounting policies (Continued)

b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

a) Fair value of investment properties

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

b) Impairment loss for bad and doubtful debts

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

c) Income tax

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

6. FINANCIAL RISK MANAGEMENT

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

a) Foreign currency risk

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

b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2021 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, pledged bank deposits and cash and cash equivalents. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

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

– internal credit rating;

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

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (Continued)

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

c) Liquidity risk

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

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

	Effective interest rate	**On demand or less than 1 year** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Total carrying amount** *HK$'000*
At 31 December 2021				
Trade and other payables	–	**82,145**	**82,145**	**82,145**
Bank borrowings (note)	2.202%	**160,869**	**160,869**	**160,000**
		243,014	**243,014**	**242,145**
At 31 December 2020				
Trade and other payables	–	81,249	81,249	81,249
Bank borrowings (note)	2.963%	161,022	161,022	160,000
		242,271	242,271	241,249

Note:

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and Prime rate arising from the Group's HK$ denominated borrowing.

At 31 December 2021, if the interest rates had been 100 basis points lower with all other variables held constant, consolidated loss for the year would have been HK$1,600,000 lower (2020: HK$1,600,000), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss for the year would have been HK$1,600,000 higher (2020: HK$1,600,000), arising mainly as a result of higher interest expense on bank borrowings.

The Group's exposure to fair value interest rate risk arises primarily from the Group's lease liabilities which carry interest at fixed interest rates.

e) Categories of financial instruments

	2021	2020
	HK$'000	*HK$'000*
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**28,183**	19,074
Financial liabilities:		
Financial liabilities at amortised cost	**242,145**	241,249

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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

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

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

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

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

a) Disclosures of level in fair value hierarchy:

Description	Fair value measurement using: Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021				
Investment Properties				
– Residential units – Hong Kong	**–**	**392,000**	**–**	**392,000**
At 31 December 2020				
Investment Properties				
– Residential units – Hong Kong	–	392,000	–	392,000

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair values (Continued)

b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021 and 2020:

The Directors are responsible for the fair value measurements of assets required for financial reporting purposes.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair Value 2021 HK$'000	Fair Value 2020 HK$'000
Residential units located in Hong Kong	Sales comparison approach	Comparable sales transaction		
	Income approach	Capitalised net rental income	**392,000**	392,000

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

7. REVENUE

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

	2021 HK$'000	2020 HK$'000
Rental income from investment properties	**5,889**	7,059
Provision of property management and other related services	**25,407**	3,847
Provision of horticultural services and sales of plants	**6,514**	6,310
	37,810	17,216

8. OTHER INCOME

	2021 **HK$'000**	2020 *HK$'000*
Interest income on bank deposits	**31**	66
Government grant	**–**	453
Others	**473**	704
	504	1,223

9. OTHER GAINS

	2021 **HK$'000**	2020 *HK$'000*
Fair value gain on investment properties	**–**	2,000

10. SEGMENT INFORMATION

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

The Group has three operating segments as follows:

Property investment	–	engages in leasing out residential properties
Horticultural services	–	provides horticultural services and sales of plants
Property management and other related services	–	provides building management and other related services

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

10. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, unallocated other income, unallocated other gains, gain on deconsolidation of subsidiaries, finance costs and income tax expense. Segment assets do not include pledged bank deposits, investment in associates and unallocated corporate assets. Segment liabilities do not include bank borrowings, unallocated corporate liabilities, and current tax liabilities.

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

(a) Disaggregation of revenue

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

	2021 *HK$'000*	2020 *HK$'000*
Disaggregated by major products or services		
– Provision of property management and other related services	**25,407**	3,847
– Provision of horticultural services and sales of plants	**6,514**	6,310
Revenue from contracts with customers	**31,921**	10,157
– Rental income from investment properties	**5,889**	7,059
Total revenue	**37,810**	17,216
Disaggregated by geographical location of customers		
– Hong Kong	**6,514**	6,310
– The People's Republic of China (the "PRC") except Hong Kong	**25,407**	3,847
	31,921	10,157

10. SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Timing of revenue recognition					
	2021			2020		
	At a point in time HK$'000	**Over time HK$'000**	**Total HK$'000**	At a point in time HK$'000	Over time HK$'000	Total HK$'000
Provision of property management and other related services	**–**	**25,407**	**25,407**	–	3,847	3,847
Provision of horticultural services and sales of plants	**802**	**5,712**	**6,514**	351	5,959	6,310
Total	**802**	**31,119**	**31,921**	351	9,806	10,157

Provision of property management and other related services

Revenue from property management and other related services are recognised when the services are rendered.

Provision of horticultural services and sales of plants

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

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

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

10. SEGMENT INFORMATION (CONTINUED)

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

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

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

	Property investment 2021 *HK$'000*	Horticultural services and sale of plants 2021 *HK$'000*	Property management and other related services 2021 *HK$'000*	Total 2021 *HK$'000*
Year ended 31 December 2021				
Revenue from customers	5,889	6,525	25,407	37,821
Intersegment revenue	–	(11)	–	(11)
Revenue from external customers	5,889	6,514	25,407	37,810
Segment profit	545	1,660	9,173	11,378
Depreciation of property, plant and equipment and right-of-use assets	1,221	113	38	1,372
Write off of other receivables	100	–	–	100
Additions to segment non-current assets	449	180	12	641
As at 31 December 2021				
Segment assets	394,855	2,247	12,645	409,747
Segment liabilities	7,778	1,457	2,619	11,854

10. SEGMENT INFORMATION (CONTINUED)

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

	Property investment 2020 *HK$'000*	Horticultural services and sale of plants 2020 *HK$'000*	Property management and other related services 2020 *HK$'000*	Total 2020 *HK$'000*
Year ended 31 December 2020				
Revenue from customers	7,059	6,319	3,847	17,225
Intersegment revenue	–	(9)	–	(9)
Revenue from external customers	7,059	6,310	3,847	17,216
Segment profit	229	2,168	1,324	3,721
Depreciation of property, plant and equipment and right-of-use assets	1,971	95	1	2,067
Impairment loss on trade receivables	182	–	–	182
Additions to segment non-current assets	227	–	170	397
As at 31 December 2020				
Segment assets	396,448	2,333	2,792	401,573
Segment liabilities	10,606	1,695	1,392	13,693

10. SEGMENT INFORMATION (CONTINUED)

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

Reconciliations of segment revenue and profit or loss

	2021 HK$'000	2020 HK$'000
Revenue		
Total revenue of reportable segments	**37,821**	17,225
Elimination of intersegment revenue	**(11)**	(9)
Consolidated revenue	**37,810**	17,216
Profit or loss		
Total profit of reportable segments	**11,378**	3,721
Unallocated amounts:		
– Depreciation of property, plant and equipment	**(455)**	(471)
– Finance costs	**(3,428)**	(4,814)
– Other income	**380**	590
– Gain on deconsolidation of subsidiaries	**632**	–
– Unallocated corporate expenses	**(8,234)**	(21,904)
Consolidated profit/(loss) before tax	**273**	(22,878)

Reconciliations of segment assets and liabilities

	2021 HK$'000	2020 HK$'000
Assets		
Total assets of reportable segments	**409,747**	401,573
Unallocated:		
– Pledged bank deposits	**13,248**	11,082
– Cash and cash equivalents	**113**	402
– Other assets	**525**	4,521
Consolidated total assets	**423,633**	417,578

10. SEGMENT INFORMATION (CONTINUED)

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

Reconciliations of segment assets and liabilities (Continued)

	2021 *HK$'000*	2020 *HK$'000*
Liabilities		
Total liabilities of reportable segments	**11,854**	13,693
Unallocated:		
– Bank borrowings	**160,000**	160,000
– Other liabilities	**72,271**	69,989
– Current tax liabilities	**280**	–
Consolidated total liabilities	**244,405**	243,682

Geographical information:

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

	Revenue		Non-current assets	
	2021 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	2020 *HK$'000*
Hong Kong	**12,403**	13,369	**394,285**	394,991
Japan	**–**	–	**–**	1,508
The PRC except Hong Kong	**25,407**	3,847	**147**	169
Consolidated total	**37,810**	17,216	**394,432**	396,668

10. SEGMENT INFORMATION (CONTINUED)

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

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

	2021 HK$'000	2020 HK$'000
Property investment		
– Customer A	**N/A***	4,080
Provision of property management and other related services		
– Customer B	**4,724**	N/A*

* The revenue from Customer A and Customer B contributed not over 10% of the Group's revenue for property investment and provision of property management and other related services segment in 2021 and 2020 respectively, therefore the amounts are not disclosed.

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**3,373**	4,740
Lease interest	**55**	74
	3,428	4,814

12. INCOME TAX EXPENSES

	2021 HK$'000	2020 HK$'000
Current income tax – PRC Corporate Income Tax		
Provision for the year	**603**	70

No provision for Hong Kong Profits Tax has been made since the subsidiaries of the Company have sufficient tax losses brought forward to set off against assessable profits or did not generate any assessable profits for the years ended 31 December 2021 and 2020. PRC Corporate Income Tax has been provided at a rate of 25% on the estimated assessable profits for the years ended 31 December 2021 and 2020.

12. INCOME TAX EXPENSES (CONTINUED)

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

	2021 ***HK$'000***	2020 *HK$'000*
Profit/(loss) before tax	**273**	(22,878)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	**45**	(3,775)
Tax effect of expenses that are not deductible	**2,007**	4,845
Tax effect of income that is not taxable	**(113)**	(974)
Tax effect of unused tax losses not recognised	**448**	428
Tax effect of utilisation of tax losses not previously recognised	**(359)**	(53)
Tax effect of temporary differences not recognised	**(647)**	(270)
Tax effect of tax concession	**(1,558)**	(245)
Tax effect of different tax rates of subsidiaries	**780**	114
	603	70

13. LOSS FOR THE YEAR

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

	2021 ***HK$'000***	2020 *HK$'000*
Depreciation of property, plant and equipment and right-of-use assets	**1,827**	2,538
Fair value gain on investment properties	**–**	(2,000)
Expenses related to short-term leases	**212**	170
Auditor's remuneration	**880**	880
Cost of inventories sold	**844**	811
Allowance/(reversal of allowance) for inventories (included in cost of sales)	**29**	(39)
Write off of other receivables	**110**	–
Impairment loss on trade receivables	**–**	182

14. EMPLOYEE BENEFITS EXPENSE

	2021 **HK$'000**	2020 HK$'000
Staff costs including directors' remunerations:		
Salaries, bonuses and allowances	**15,766**	11,193
Retirement benefit scheme contributions	**967**	254
	16,733	11,447

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2020: one) director whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2020: four) individuals are set out below:

	2021 **HK$'000**	2020 HK$'000
Basic salaries and allowances	**1,753**	5,178
Retirement benefit scheme contributions	**19**	36
	1,772	5,214

None of these individuals received any emolument from the Group as an inducement to join in the Group or compensation for loss of office, nor waived or has agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

The emoluments fell within the following band:

	2021	2020
HK$Nil to HK$1,000,000	**4**	3
HK$2,500,001 to HK$3,000,000	**–**	1

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Name of Director				
Executive directors:				
Huang Binghuang	–	666	–	666
Xia Ping	–	333	14	347
Zhao Juqun (i)	–	71	–	71
	–	1,070	14	1,084
Non-executive director:				
Wang Lijiao	–	207	–	207
Independent non-executive directors:				
Lum Pak Sum (ii)	115	–	–	115
Duan Rihuang (iii)	134	–	–	134
Wang Rongfang (iv)	125	–	–	125
Tso Sze Wai (v)	119	–	–	119
	493	–	–	493
Total for 2021	493	1,277	14	1,784

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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

None of the Directors waived any remuneration during the year ended 31 December 2021 (2020: Nil).

During the years ended 31 December 2021 and 2020, there was no emoluments paid to the Directors as an inducement to join or upon joining the Group; or as compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Note (i) Mr. Zhao Juqun was appointed on 12 June 2020 and resigned on 1 April 2021.

(ii) Mr. Lum Pak Sum was appointed on 30 September 2019 and retired on 23 June 2021.

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

(iv) Mr. Wang Rongfang was appointed on 23 June 2021.

(v) Mr. Tso Sze Wai was appointed on 2 July 2021.

(vi) Mr. Zhou Chen was retired on 12 June 2020.

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

(viii) Mr. Gao Han was retired on 12 June 2020.

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

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

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

16. DIVIDENDS

The board of directors (the "Board") of the Company does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

17. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	**(330)**	(22,961)

	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**2,819,102**	2,819,102

The basic and diluted loss per share were the same as the Company had no dilutive potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment *HK$'000*	Leasehold improvement *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:				
At 1 January 2020	2,410	3,268	2,225	7,903
Additions	302	95	–	397
Exchange differences	14	75	47	136
At 31 December 2020 and 1 January 2021	**2,726**	**3,438**	**2,272**	**8,436**
Additions	**91**	**180**	**370**	**641**
Deconsolidation of subsidiaires	**(365)**	**(1,820)**	**(1,313)**	**(3,498)**
Exchange differences	**66**	**(341)**	**282**	**7**
At 31 December 2021	**2,518**	**1,457**	**1,611**	**5,586**
Accumulated depreciation and impairment loss				
At 1 January 2020	1,716	1,641	1,459	4,816
Charge for the year	513	186	497	1,196
Exchange differences	9	19	32	60
At 31 December 2020 and 1 January 2021	**2,238**	**1,846**	**1,988**	**6,072**
Charge for the year	**199**	**204**	**360**	**763**
Deconsolidation of subsidiaires	**(332)**	**(798)**	**(1,312)**	**(2,442)**
Exchange differences	**1**	**–**	**–**	**1**
At 31 December 2021	**2,106**	**1,252**	**1,036**	**4,394**
Carrying amount				
At 31 December 2021	**412**	**205**	**575**	**1,192**
At 31 December 2020	**488**	**1,592**	**284**	**2,364**

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 **HK$'000**	2020 HK$'000
At 31 December:		
Right-of-use assets		
– Land and buildings	**1,240**	2,304
Lease commitments of short-term leases	**92**	212
The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	**1,110**	1,110
– Between 1 and 2 years	**185**	1,110
– Between 2 and 5 years	**–**	185
	1,295	2,405

	2021 **HK$'000**	2020 HK$'000
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	**1,064**	1,342
Lease interests	**55**	74
Expenses related to short-term leases	**212**	170
Total cash outflow for leases	**1,322**	1,564
Additions to right-of-use assets	**–**	3,191

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

20. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
At 1 January	**392,000**	390,000
Fair value gains	**–**	2,000
At 31 December	**392,000**	392,000

The investment properties are held on long term lease in Hong Kong.

Investment properties were revalued as at 31 December 2021 by the sales comparison approach on the assumption that the properties could be sold with the benefit of vacant possession and income approach by taking into account the current rent receivable from the existing tenancy agreements and the reversionary potential of the property interests by LCH (Asia-Pacific) Surveyors Limited, an independent firm of surveyors.

At 31 December 2021, the carrying amount of investment properties pledged as security for the Group's bank borrowings amounted to HK$392,000,000 (2020: HK$392,000,000).

At 31 December 2021, the investment properties are charged with Memorandum of Charge in the Land Register maintained by The Land Registry, which is subsequently discharged on 4 March 2022.

21. INVESTMENT IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Unlisted investments:		
Share of net assets	**12,211**	12,211
Impairment loss	**(12,211)**	(12,211)
Carrying amount at year end	**–**	–

Details of the Group's associates at 31 December 2021 are as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Five Color Stone Technology Corporation	The Cayman Islands	30,000,000 ordinary shares of US$0.195 each	28%	–	Investment holding
台灣烯谷應材股份有限公司	Taiwan	Registered capital of TWD250,000,000 Paid-up capital of TWD4,000,000	–	7%	Investment holding
Taiwan Mutron Applied Materials Limited	Taiwan	Registered capital of TWD250,000,000 Paid-up capital of TWD1,000,000	–	5.6%	Manufacturing and sale of graphene and graphene-related products

22. INVENTORIES

	2021 *HK$'000*	2020 *HK$'000*
Horticultural plants	**603**	474

23. TRADE AND OTHER RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables	**7,966**	2,759
Allowance for doubtful debts	**(182)**	(182)
	7,784	2,577
Other prepayments	**415**	899
Rental and other deposits	**594**	1,864
Other tax receivables	**–**	463
Other receivables	**566**	819
	9,359	6,622

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

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

	2021 *HK$'000*	2020 *HK$'000*
0 to 90 days	**5,726**	2,576
91 to 180 days	**1,743**	1
181 to 365 days	**291**	–
Over 365 days	**24**	–
	7,784	2,577

Approximately HK$5,072,000 was subsequently settled after the end of the reporting period.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

An allowance was made for estimated irrecoverable trade receivables of approximately HK$nil (2020: HK$182,000) for the year ended 31 December 2021.

Reconciliation of allowance for trade receivables:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**182**	–
Impairment during the year	**–**	182
At 31 December	**182**	182

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

	Current	**Up to 3 months past due**	**3 to 6 months past due**	**6 to 12 months past due**	**Over 12 months past due**	**Total**
At 31 December 2021						
Weighted average expected loss rate	**–**	**–**	**–**	**–**	**88%**	
Receivable amount (HK$'000)	**551**	**5,204**	**1,714**	**291**	**206**	**7,966**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**(182)**	**(182)**
At 31 December 2020						
Weighted average expected loss rate	–	14%	–	–	–	
Receivable amount (HK$'000)	1,413	1,346	–	–	–	2,759
Loss allowance (HK$'000)	–	(182)	–	–	–	(182)

24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank and on hand	**19,239**	13,814
Less: Pledged bank deposits	**(13,248)**	(11,082)
Cash and cash equivalents	**5,991**	2,732

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

25. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**1,226**	101
Other payables and accrued charges	**11,192**	22,386
Amounts due to directors	**1,727**	762
Amount due to the immediate holding company	**15,000**	15,000
Amount due to the ultimate holding company	**50,000**	40,000
Amount due to a shareholder of immediate holding company	**3,000**	3,000
Other tax payables	**205**	–
Contract liabilities	**504**	33
	82,854	81,282

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	**501**	101
91-180 days	**725**	–
	1,226	101

The amounts due to directors, immediate holding company, ultimate holding company and a shareholder of immediate holding company are unsecured, interest-free and repayable on demand.

26. BANK BORROWINGS

	2021	2020
	HK$'000	*HK$'000*
Bank loans	**160,000**	160,000

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

	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**160,000**	160,000

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

The interest rate of the Group's bank borrowings as at 31 December 2021 was 2% per annum over one-month HIBOR or 0.5% per annum below HK$ prime rate, whichever is lower (2020: 2% per annum over one-month HIBOR or 0.5% per annum below HK$ prime rate, whichever is lower).

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

Bank loans of HK$160,000,000 (2020: HK$160,000,000) are secured by (i) the investment properties of HK$392,000,000 as disclosed in note 20 to the consolidated financial statements (2020: HK$392,000,000), (ii) a charge over deposits for the total principal amount of not less than HK$4,000,000 together with interest accrued thereon (2020: HK$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK$7,000,000 (2020: HK$6,000,000), (iv) assignment of rental income from investment properties to a designated bank account which is charged to the bank, and (v) maintain an occupancy rate of 60% or above in investment properties (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three months) (2020: 60%).

27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,110**	1,110	**1,087**	1,271
In the second to fifth years, inclusive	**185**	1,295	**184**	1,055
	1,295	2,405	**1,271**	2,326
Less: Future finance charges	**(24)**	(79)	**–**	–
Present value of lease liabilities	**1,271**	2,326	**1,271**	2,326
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,087)**	(1,271)
Amount due for settlement after 12 months			**184**	1,055

At 31 December 2021, the average effective borrowing rate was 3% (2020: 3%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

28. DEFERRED TAXATION

At 31 December 2021, the Group has unused tax losses of approximately HK$355,965,000 (2020: approximately HK$389,326,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of approximately HK$355,965,000 (2020: approximately HK$355,424,000) that are available for offsetting against future profits do not expire under current tax legislation in Hong Kong. The tax loss of approximately HK$nil (2020: approximately HK$33,902,000) attributable to the Japan are available for offsetting against future profits that may be carried forward for nine years for Japan income tax purpose. All tax losses are subjected to be agreed by tax authorities.

29. SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.05 each	**1,000,000**	1,000,000
Issued and fully paid:		
2,819,102,084 ordinary shares of HK$0.05 each	**140,955**	140,955

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

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

The Group's long-term policy, which was unchanged from 2020, is that net debt should be in the range of 79% to 84% of adjusted capital. This policy aims to ensure that the Group secures access to finance at a reasonable cost and lowers its net of tax weighted average cost of capital. The debt-to-adjusted capital ratios at 31 December 2021 and at 31 December 2020 were as follows:

	2021 **HK$'000**	2020 HK$'000
Total debt	**160,000**	160,000
Less: pledged bank deposits	**(13,248)**	(11,082)
Less: cash and cash equivalents	**(5,991)**	(2,732)
Net debt	**140,761**	146,186
Total equity	**179,228**	173,896
Debt-to-adjusted capital ratio	**79%**	84%

29. SHARE CAPITAL (CONTINUED)

The externally imposed capital requirements for the Group are:

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

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2021, 25.07% (2020: 25.07%) of the shares were in public hands.

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

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

(a) Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	4	6
Interests in subsidiaries	7,813	7,813
	7,817	7,819
Current assets		
Prepayments, deposits and other receivables	212	257
Amounts due from subsidiaries	5,986	6,581
Pledged bank deposits	13,248	11,082
Cash and cash equivalents	43	43
	19,489	17,963
Current liabilities		
Trade and other payables	2,498	2,000
Amounts due to subsidiaries	18,340	16,727
Amount due to the immediate holding company	15,000	15,000
Amount due to the ultimate holding company	50,000	40,000
Amount due to a shareholder of immediate holding company	3,000	3,000
Amounts due to directors	1,727	762
Bank borrowings	160,000	160,000
	250,565	237,489
Net current liabilities	(231,076)	(219,526)
NET LIABILITIES	(223,259)	(211,707)
Capital and reserves		
Share capital	140,955	140,955
Reserves	(364,214)	(352,662)
TOTAL EQUITY	(223,259)	(211,707)

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

(b) Reserve movement of the Company:

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	26,770	121	234,897	(602,076)	(340,288)
Total comprehensive expenses for the year	–	–	–	(12,374)	(12,374)
At 31 December 2020 and 1 January 2021	**26,770**	**121**	**234,897**	**(614,450)**	**(352,662)**
Total comprehensive income for the year	**–**	**–**	**–**	**(11,552)**	**(11,552)**
At 31 December 2021	**26,770**	**121**	**234,897**	**(626,002)**	**(364,214)**

31. RESERVES

(a) Group

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

31. RESERVES (CONTINUED)

(b) Nature and purpose of reserves

(i) Share premium reserve

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

(ii) Capital redemption reserve

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

(iii) Contributed surplus

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

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

32. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2 to these consolidated financial statements, the Directors considered that the control of WI Group had been lost since 31 December 2021. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 31 December 2021.

Net liabilities of these subsidiaries as at the date of lost of control were as follows:

	HK$'000
Property, plant and equipment	**1,056**
Trade and other receivables	**1,894**
Cash and cash equivalents	**13**
Trade and other payable	**(9,096)**
Net liabilities lost of control	**(6,133)**
Release of foreign currency translation reserve	**5,501**
Gain on deconsolidation of subsidiaries	**(632)**
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents	**13**

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Due to a shareholder of immediate holding company HK$'000	Due to the ultimate holding company HK$'000	Due to the immediate holding company HK$'000	Lease liabilities HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2020	–	–	12,000	2,768	200,000	214,768
Changes in cash flows	3,000	40,000	3,000	(1,394)	(44,740)	(134)
Non-cash changes						
– Interest expenses	–	–	–	74	4,740	4,814
– Modification of leases	–	–	–	(2,313)	–	(2,313)
– Additions to lease liabilities	–	–	–	3,191	–	3,191
At 31 December 2020 and 1 January 2021	**3,000**	**40,000**	**15,000**	**2,326**	**160,000**	**220,326**
Changes in cash flows	**–**	**10,000**	**–**	**(1,110)**	**(3,373)**	**5,517**
Non-cash changes						
– Interest expenses	**–**	**–**	**–**	**55**	**3,373**	**3,428**
At 31 December 2021	**3,000**	**50,000**	**15,000**	**1,271**	**160,000**	**229,271**

34. CAPITAL COMMITMENTS

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

	2021 ***HK$'000***	2020 *HK$'000*
Property, plant and equipment	**–**	16,217

35. LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year was approximately HK$5,889,000 (2020: approximately HK$7,059,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2% (2020: 2%) on an ongoing basis.

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

	2021 ***HK$'000***	2020 *HK$'000*
Within one year	**3,532**	4,533
In the second to fifth year inclusive	**2,020**	7,971
	5,552	12,504

36. RELATED PARTY TRANSACTIONS

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

	2021 ***HK$'000***	2020 *HK$'000*
Rental income from investment properties from directors	**–**	110

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2021 were as follows:

Name	Place of incorporation and operation	Particulars of issued and paid-up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
China Graphene Holdings Limited	British Virgin Islands	100 ordinary share of US$1 each	100%	–	Investment holding
Cheung Kee Garden Limited	Hong Kong	100 ordinary share 450,000 non-voting deferred shares	–	100%	Provision of horticultural services and sales of plants
Super Homes Limited	Hong Kong	100 ordinary share 100 non-voting deferred shares	–	100%	Investment properties holding
China Asia Valley Property Management (Shenzhen) Co., Limited# 中亞烯谷物業管理(深圳)有限公司	The PRC*	Nil	–	100%	Provision of property management and other related services
Shenzhen Zhongya Property Co., Limited# 深圳市中雅物業有限公司	The PRC*	Nil	–	100%	Provision of property management and other related services
Shenzhen Zhongya Management Co., Limited# 深圳市中雅管理有限公司	The PRC*	Nil	–	100%	Provision of property management and other related services

* a limited liability enterprise

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

38. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2022, the Group and an independent third party entered into the Sale and Purchase Agreement, pursuant to which, the Group has agreed to sell and the independent third party has agreed to purchase the entire issued and paid-up shares of Sky Heritage Holdings Limited, which directly hold the investment in associates in Five Color Stone Technology Corporation, at a consideration of HK$10,000.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 29 March 2022.

Group Properties

Particulars of the Group's major properties held for investment as at 31 December 2021 are as follows:

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

The above properties are held under a Government Lease for a term of 999 years commencing from 25 June 1861, i.e. long term lease-hold situated in Hong Kong. They are held as investment properties for rental income.

Summary Financial Information

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**37,810**	17,216	13,458	16,529	14,572
Profit/(loss) before taxation	**273**	(22,878)	(10)	(88,805)	51,898
Income tax expenses	**(603)**	(70)	–	(17)	–
(Loss)/profit for the year	**(330)**	(22,948)	(10)	(88,822)	51,898
(Loss)/profit for the year attributable to owners of the Company	**(330)**	(22,961)	(10)	(88,822)	51,898
Non-controlling interests	**–**	13	–	–	–
	(330)	(22,948)	(10)	(88,822)	51,898

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets	**394,432**	407,750	418,306	393,497	428,852
Current assets	**29,201**	9,828	8,844	12,860	66,087
Current liabilities	**(244,221)**	(242,627)	(230,308)	(209,501)	(210,673)
Non-current liabilities	**(184)**	(1,055)	–	–	–
Net assets	**179,228**	173,896	196,842	196,856	284,266
Equity attributable to owners of the Company	**179,228**	173,883	196,842	196,856	284,266
Non-controlling interests	**–**	13	–	–	–
Total equity	**179,228**	173,896	196,842	196,856	284,266

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