

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

2023

Annual Report

年報

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AHEAD

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烯  
谷

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、持之以恆”，  
致力於成為您專屬的商業決策智囊。

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## 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  
Ms. Wang Lijiao

### Independent non-executive Directors

Mr. Duan Rihuang  
Mr. Wang Rongfang  
Mr. Tso Sze Wai

## COMPANY SECRETARY

Dr. Leung Wai Ping, Noel  
(resigned on 13 December 2023)  
Mr. Tam Chun Wa  
(appointed on 13 December 2023)

## AUDITORS

Fan, Chan & Co. Limited  
(resigned on 6 December 2023)  
Infinity CPA Limited  
(appointed on 6 December 2023)

## LEGAL ADVISERS

Jeffrey Mak Law Firm  
(as to Hong Kong Laws)

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL OFFICE IN HONG KONG

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

## SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
4th Floor North Cedar House  
41 Cedar Avenue  
Pembroke HM12  
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](http://www.00063.cn)

# Chairman's Statement

On behalf of the board (the "Board") of Directors (the "Director") of China Asia Valley Group Limited (the "Company"), it is my pleasure to present to you the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

During the year ended 31 December 2023 (the "Year"), the Group continued to engage in property investment, provision of horticultural services and sales of plants, and property management and other related services.

On 17 November 2023, the Company successfully held a special general meeting on the approval of the Tenancy Agreement and the Subscription Agreement. Details of the Tenancy Agreement and the Subscription Agreement can be found in the Company's circular dated 31 October 2023. All the resolutions set out in the circular were duly passed by the independent shareholders by way of poll.

Following the completion of the Tenancy Agreement and Subscription Agreement, it is expected that, among other things, rental income from the Silicon Valley Industrial Park will provide a stable revenue and secure a cashflow stream from the leased property. The Group can also enjoy the synergy for the property management business by leveraging its existing resources to enhance its service offerings and provide a more comprehensive range of property management solution to its tenants.

Looking ahead, the Group targets to enhance our property management and other related services business which will boost the Group's revenue and profit in future. The Group will further enhance its 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.

On behalf of the Group, I would like to thank the effort from my fellow directors, senior management and employees of the Group during the year, and the trust and support from our shareholders, business partners and customers.

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

Hong Kong, 27 March 2024

# Management Discussion and Analysis

## BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2023 (the “Year”), 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 decreased by HK\$1,608,000 or 4.0% from HK\$39,875,000 for the year ended 31 December 2022 to HK\$38,267,000 for the Year, mainly due to a decrease in revenue from the property management and other related services segment and partially offset by an increase in the rental income from investment properties.

## PROPERTY MANAGEMENT AND OTHER RELATED SERVICES

Since the year 2020, the Group continued to derive income from its property management and other related business 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 engaged property management business with properties under management 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\$25,365,000 (2022: HK\$27,768,000) 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\$161,000 or 2.5% from HK\$6,343,000 for the year ended 31 December 2022 to HK\$6,504,000 for the Year.

## PROPERTY INVESTMENT

The Group has 30 units of investment properties in Hong Kong. Rental income derived from these investment properties increased by HK\$634,000 or 11% from HK\$5,764,000 for the year ended 31 December 2022 to HK\$6,398,000 for the Year, mainly due to the increase in the average rental income per apartment unit.

\* for identification purposes only

# Management Discussion and Analysis

## STAFF COSTS

Staff cost increased by HK\$2,419,000 or 13.1% from HK\$18,503,000 for the year ended 31 December 2022 to HK\$20,922,000 for the Year, mainly due to salary increment with effect from January 2023 and the increase in the number of headcounts for the Year.

## OTHER PROPERTY MANAGEMENT RELATED EXPENSES

Other property management related expenses decreased by HK\$2,260,000 or 24.2% from HK\$9,355,000 for the year ended 31 December 2022 to HK\$7,095,000 for the Year, mainly due to absence of a one-off repair and maintenance expenditure of HK\$1,673,000 in our service site in Shenzhen, the PRC in 2022, and offset with an increase in the management fee charged by the service provider and maintenance costs.

## OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Other operating and administrative expenses increased by HK\$512,000 or 7.0% from HK\$7,297,000 for the year ended 31 December 2022 to HK\$7,809,000 for the Year, mainly due to an increase in the legal and professional fees incurred for the Year.

## FINANCE COSTS

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs increased by HK\$3,435,000 or 70.8% from HK\$4,854,000 for the year ended 31 December 2022 to HK\$8,289,000 for the Year, due to an increase in the interest rates on the bank borrowings for the Year.

## PROFIT FOR THE YEAR

For the Year, the Group recorded a profit of HK\$2,182,000, as compared to a loss of HK\$47,007,000 for the year ended 31 December 2022. The turnaround from loss to profit for the Year was mainly due to the fair value gain on our investment properties of HK\$2,000,000 adjusted for the current year, as compared to a fair value loss of HK\$46,000,000 for the year ended 31 December 2022.

## CHARGE OVER THE GROUP'S ASSETS

The Group has pledged its investment properties as collateral for bank borrowings. As at 31 December 2023, the fair value of those pledged investment properties amounted to HK\$348,000,000 (2022: HK\$346,000,000).

# Management Discussion and Analysis

Bank borrowings of HK\$160,000,000 as at 31 December 2023 (2022: HK\$160,000,000) are secured by (i) the investment properties of HK\$348,000,000 (2022: HK\$346,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (2022: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2022: HK\$7,000,000), (iv) deposit of rental income from 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) (2022: 60%).

## MATERIAL INVESTMENT

During the Year, the Group entered into a tenancy agreement (as amended and supplemented) (the "Tenancy Agreement") in respect of the sub-lease of the Silicon Valley Industrial Park located in Shajing Street, Bao'an District, Shenzhen, the PRC. Details of, amongst others, the Tenancy Agreement are set out in the Company's circular dated 31 October 2023.

Save for the aforementioned, the Group did not have any material investments during the Year.

## PROSPECTS

Looking ahead, the Group targets to enhance our property management and other related services business which will boost the Group's revenue and profit in future. The Group will further enhance its 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.

Following the completion of the Tenancy Agreement and Subscription Agreement, it is expected that, among other things, rental income from the Silicon Valley Industrial Park will provide a stable revenue and secure a cashflow stream from the leased property. The Group can also enjoy the synergy for the property management business by leveraging its existing resources to enhance its service offerings and provide a more comprehensive range of property management solution to its tenants.

## 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.

As at 31 December 2023, there was outstanding bank borrowings in the principal sum of HK\$160,000,000 (2022: HK\$160,000,000). The Group's working capital requirements in 2023 were funded with bank borrowings, advances from its related parties and internal funds from Company's operation totalling HK\$74,357,000 (2022: HK\$67,638,000).

The Group's gearing ratio was 70% as at 31 December 2023 (31 December 2022: 108%). The ratio was determined by net debt, which was defined as total interest-bearing liabilities comprising bank loan less pledged bank deposits and cash and cash equivalents, over shareholders' equity.

# Management Discussion and Analysis

The repayment schedule of the bank borrowings are as follows:

No. of installments	Principal repayment date	Repayment amount of each installment
1st	12 months after March 2023	10% of the original principal amount
2nd	24 months after March 2023	10% of the original principal amount
3rd	36 months after March 2023	10% of the original principal amount
4th	48 months after March 2023	All the outstanding balance

The Group has repaid the bank borrowings in the principal of HK\$16,000,000 in March 2024.

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 obligations of the Company to the extent that it is unable to meet those obligations itself and the amount due to him would not demand for repayment for at least twelve months.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 157 employees (2022: 149), including directors. Staff costs for the year ended 31 December 2023 amounted to approximately HK\$20,922,000 (2022: HK\$18,503,000). Employees are remunerated on the basis of work performance, professional experience and prevailing industry practice. The remuneration policy and packages for Group employees are periodically reviewed by management. Apart from retirement benefits and in-house training programmes, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

## PLEDGE OF ASSETS

As at 31 December 2023, investment properties and bank deposits with an aggregate value of HK\$363,332,000 (2022: HK\$360,891,000) were pledged to the bank to secure bank borrowings granted to the Company.

## MATERIAL ACQUISITIONS AND DISPOSAL

The Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures during the Year.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Year, save as the Tenancy Agreement, the Group had no future plans for material investments or capital assets.

# Management Discussion and Analysis

## EVENTS AFTER THE YEAR

During the Year, the Group entered into the Tenancy Agreement. The Company has also entered into a subscription agreement (the “Subscription Agreement”) with the subscribers for the issue of the 3.6% convertible bond due 2029 in the principal amount of HK\$353,360,000. The conditions precedent under the Tenancy Agreement and the Subscription Agreement have all been fulfilled or waived after the end of the Year. Details of the Tenancy Agreement and the Subscription Agreement can be found in the Company’s circular dated 31 October 2023.

## 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\$”) and Renminbi (“RMB”). 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.

## CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

## 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 the long run, the financial conditions and business plan of the Group, and 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.

## AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. Tso Sze Wai (Chairman), Mr. Duan Rihuang and Mr. Wang Rongfang. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting system, risk management and internal control systems of the Group. The Audit Committee has reviewed, with no disagreement, the Group’s financial statements for the year ended 31 December 2023.

# Directors' Report

The directors hereby present their report together with the audited financial statements of the Group for the year ended 31 December 2023.

## 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 38 to the consolidated financial statements.

## BUSINESS REVIEW

### Business review and prospects

A business and financial review of the Group's performance during the year ended 31 December 2023, 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 summarised 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.

# Directors' Report

## BUSINESS REVIEW (CONTINUED)

### Environmental policies and performance

The Company persistently strives 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 is separately published on the Company's website and the website of the Stock Exchange at the same time as the publication of this report.

### Compliance with laws and regulations

The incorporation places of the Company and its subsidiaries includes Bermuda, Hong Kong, the British Virgin Islands (the "BVI") and the People's Republic of China. The Group's operations are carried out by the Company's subsidiaries in Hong Kong and Mainland China 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 and the BVI. During the year ended 31 December 2023, 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 emphasised the value of employees as it believed employees were important resources for enhancing the Group'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.

## CONSOLIDATED FINANCIAL STATEMENTS

The results and cash flows of the Group for the year ended 31 December 2023 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 42 to 112.

## DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2023.

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 and liabilities interests of the Group for the last five financial years is set out on the page 114 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 17 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 29 to the consolidated 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 31 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was Nil (2022: Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 23% (2022: 27%) of the total sales for the year and sales to the largest customer included therein amounted to 10% (2022: 11%).

Purchases from the Group's five largest suppliers accounted for 70% (2022: 71%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 22% (2022: 20%).

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.

# Directors' Report

## DIRECTORS

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

### Executive directors:

Mr. Huang Binghuang (*Chairman and Chief Executive Officer*)

Ms. Xia Ping

Ms. Wang Lijiao

### Independent non-executive directors:

Mr. Duan Rihuang

Mr. Wang Rongfang

Mr. Tso Sze Wai

In accordance with the Company's Bye-law 84(1), Mr. Wang Rongfang and Mr. Tso Sze Wai, will retire from office by rotation, being eligible, offer themselves for re-election as directors at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers each of the independent non-executive Directors to be 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 164(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 2023 and remained in force as of the date of this report as required by section 470 of the Hong Kong Companies Ordinance.

The Company had arranged for appropriate insurance cover in respect of legal actions against directors before the year 2022. However, since 2022, the company has not yet made this insurance arrangement as the Board considered that no suitable director liability insurance could be identified on the market which could provide adequate suitable security to the Directors.

# Directors' Report

## 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 2023 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 2023.

## 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 2023 or subsisted at the end of the year.

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2023, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### Long Positions in Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number and class of shares held	Percentage
Huang Binghuang	Interest of controlled corporation	2,112,395,735 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 Group Inc. as Mr. Huang directly holds 100% of the shares of China Asia Group Inc. ("CA Group").

Save as disclosed above, as at 31 December 2023, 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.

# Directors' Report

## 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. The Scheme expired on 24 June 2023.

### Participants of the scheme

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

### Total number of shares available for issue

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

On 27 May 2016, the ordinary resolution of refreshment of the Scheme limit was approved by shareholders at the annual general meeting of the Company. The total number of Shares available for issue under the Scheme were 281,910,208, representing 10% of the issued Shares of the Company as at the date of the approval of refreshment of the Scheme limit and approximately 10% of the issued shares of the Company as at the date of this report.

As at 1 January 2023, 281,910,208 Options may be granted under the Scheme limit. As at 31 December 2023, no Options may be granted under the Scheme limit as the Scheme has expired.

### Maximum entitlement of each participant

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

## SHARE OPTION SCHEME (CONTINUED)

### Time of exercise of option

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

### Acceptance of offer

The offer of a grant of 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.

### Vesting period

The Options granted under the Scheme shall be subject to such vesting conditions and periods as may be determined by the Company.

### 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. Accordingly, the Scheme has expired on 24 June 2023.

In order to offer flexibility to the remuneration structure of the Company and to attract talent, the Company may adopt a new share option scheme after the expiry of the Scheme, which will be subject to shareholders' approval at a general meeting to be convened in due course.

### Movement and position

There were no outstanding Options under the Scheme as at 1 January 2023. No Options were granted under the Scheme during the year ended 31 December 2023. No Option was vested, exercised, cancelled or lapsed under the scheme during the year ended 31 December 2023.

# Directors' Report

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 36 to the consolidated financial statements and the sub-section headed "Connected Transactions" in this report, 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 (or an entity connected with a director) or a controlling shareholder or any of its subsidiaries had a material interest, subsisted at the end of the year or at any time during the year.

## DISCLOSURE OF INFORMATION ON DIRECTORS

There have been changes to the information of the Directors in Directors' Biographies 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 on the recommendation of the Remuneration Committee with reference to Directors' duties, responsibilities and performance, the prevailing market rate and the results of the Group. No Director or any of his or her associates was involved in deciding his or her own remuneration. The Company has a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set out in the section headed Share Option Scheme.

## CONNECTED TRANSACTIONS

### Tenancy Agreement

On 6 June 2023, Shenzhen Zhongya Industry Operation Co., Ltd.\* (深圳市中雅產業運營有限公司 (the "PRC Subsidiary"), a wholly-owned subsidiary of the Company (as tenant), and Shenzhen Qiangang China Asia Electronic City Group Co., Ltd.\* (深圳市壘崗中亞電子城集團有限責任公司, "China Asia Electronic") (as landlord), entered into the Tenancy Agreement for the lease of an aggregate area of 350,855 square-metres at the Silicon Valley Industrial Park for a total rent of approximately RMB1,413.4 million (equivalent to approximately HK\$1,526.5 million) for a term of 10 years commencing upon completion. The Tenancy Agreement was supplemented by a supplemental tenancy agreement entered into by the parties on 12 October 2023. As property management and other related services continued to be the top revenue and profit driver for the Group, it is the Group's intention to focus on its property management and other related services business so as to boost its revenue and profit in the future.

Mr. Huang Binghuang is a controlling shareholder of the Company who indirectly through CA Group held 74.93% of the Shares. Accordingly, Mr. Huang and China Asia Electronic are connected persons of the Company under Chapter 14A of the Listing Rules.

The Tenancy Agreement and the transaction contemplated thereunder constituted a very substantial acquisition of the Company and a connected transaction of the Company, and were subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

## CONNECTED TRANSACTIONS (CONTINUED)

### Subscription Agreement

On 6 June 2023, the Company entered into the Subscription Agreement with Mr. Huang Binghuang, Zhongjun Holding Group Company Limited (中軍控股集團有限公司, "Subscriber 1") and Xuhong International Corporation (旭宏國際有限公司). The Subscription Agreement was supplemented by three deeds of amendment entered into on 21 July 2023, 29 August 2023, 12 October 2023. Pursuant to the Subscription Agreement (as supplemented), Subscriber 1, Mr. Xiong Guoqiang\* (熊國強) and China Asia Group Inc. ("CA Group") have agreed to subscribe for the 3.6% convertible bond due 2029 in the principal amount of HK\$353,360,000 (the "Convertible Bond") in the principal amount of HK\$95,150,000, HK\$24,760,000 and HK\$233,450,000, respectively. The issue of the Convertible Bond was to fund the deposit under the Tenancy Agreement of approximately RMB282.6 million. CA Group held 2,112,395,735 Shares, representing approximately 74.93% of the issued share capital of the Company. Hence, CA Group, being one of the Subscribers, is a connected person of the Company under Chapter 14A of the Listing Rules. The Subscription Agreement (including the issue of the Convertible Bond) and the transactions contemplated thereunder (including the Specific Mandate) constituted a connected transaction of the Company and was subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the special general meeting of the Company held on dated 17 November 2023, (i) the Tenancy Agreement and the transactions contemplated thereunder; and (ii) the Subscription Agreement (including the issue of the Convertible Bond) and the transactions contemplated thereunder (including the specific mandate) were approved by the independent Shareholders.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

## 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 consolidated 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 2023, 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, either directly or indirectly, with the business of the Group.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2023, 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 Inc. <sup>Note</sup>	Beneficial owner	2,112,395,735 ordinary shares	74.93%

Note:

Mr. Huang Binghuang was deemed to be interested in the 2,112,395,735 shares of the Company as Mr. Huang Binghuang held 100% equity interest of China Asia Group Inc. ("CA Group"), which held 2,112,395,735 shares of the Company.

Save as disclosed above, as at 31 December 2023, 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

- On 25 August 2022, the Company was approved by the bank that the bank loans for an extension of a half year and a further a half year.
- On 14 March 2023, the Company has drawn the renewed bank loans which should be fully repaid within 48 months from drawdown date as follows:

The repayment schedule of the bank borrowings are as follows:

No. of installments	Principal repayment date	Repayment amount of each installment
1st	12 months after March 2023	10% of the original principal amount
2nd	24 months after March 2023	10% of the original principal amount
3rd	36 months after March 2023	10% of the original principal amount
4th	48 months after March 2023	All the outstanding balance

As at 31 December 2023, there was outstanding bank loans in the original principal amount of HK\$160,000,000 (2022: HK\$160,000,000).

The group has repaid the bank borrowings in the principal of HK\$16,000,000 in March 2024.

# Directors' 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 2023.

## PROPOSED ISSUE OF CONVERTIBLE BOND

Pursuant to the Subscription Agreement as supplemented, Subscriber 1, Mr. Xiong Guoqiang\* (熊國強) and CA Group (collective, the "Subscribers") have agreed to subscribe for the HK\$353,360,000 3.6% Convertible Bond due 2029 in the principal amount of HK\$95,150,000, HK\$24,760,000 and HK\$233,450,000, respectively. The issue of the Convertible Bond was to fund the deposit under the Tenancy Agreement of approximately RMB282.6 million.

The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and ranks at least pari passu and rateably without preference amongst themselves. The initial conversion price is HK\$0.1 (the "Conversion Price") per conversion share. The net Conversion Price was approximately HK\$0.0997 per conversion share, which was derived from dividing the net proceeds of HK\$352,360,000 by the aggregate of 3,533,600,000 conversion shares that are set to be allotted and issued to the Subscribers upon conversion in full of the Convertible Bond. An aggregate of 3,533,600,000 conversion shares shall be allotted and issued upon full conversion of the Convertible Bond at the Conversion Price. The maximum aggregate nominal value of the conversion shares (upon exercise in full of the conversion rights) is HK\$176,680,000 based on the nominal value of HK\$0.05 per Share. The closing price as quoted on the Stock Exchange on the date of the Subscription Agreement (i.e., 6 June 2023) was HK\$0.150. Completion under the Subscription Agreement took place after the end of the year ended 31 December 2023.

## PUBLIC FLOAT

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

## DONATIONS

During the year, the Group had not made any charitable donations.

# Directors' Report

## AUDITORS

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") has resigned as the auditor of the Company with effect from 11 July 2022 and Fan, Chan & Co. Limited ("Fan Chan") has been appointed as the auditor of the Company with effect from 11 July 2022 to fill the casual vacancy following the resignation of ZHONGHUI.

On 6 December 2023, Fan Chan resigned as the auditor of the Company and Infinity CPA Limited ("Infinity") was appointed as the auditor of the Company to fill the vacancy following the resignation of Fan Chan. Please refer to the announcement of the Company dated 6 December 2023 for more details regarding the change of auditor.

The consolidated financial statements of the Company for the year ended 31 December 2023 were audited by Infinity. Infinity shall retire as auditor of the Company at the forthcoming annual general meeting and shall be subject to appointment by the shareholders. A resolution for the re-appointment of Infinity as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Huang Binghuang**

*Chairman*

Hong Kong, 27 March 2024

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and other stakeholders and enhance shareholder value. The principle of the Company's corporate governance is to promote effective internal control and risk management measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects, and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies.

## 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 C1 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 2023 (the "Year"), the Company has complied with all the code provisions set out in the CG Code except for the following:

### Deviation from Code Provision C.2.1 of the CG Code

Code provision C.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 C.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 C3 to 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.

# Corporate Governance Report

## 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  
Ms. Wang Lijiao

#### **Independent non-executive directors:**

Mr. Duan Rihuang  
Mr. Wang Rongfang  
Mr. Tso Sze Wai

The Directors have no other financial, business, family or other material/relevant relationship with each other.

During the Year, the Board held eight meetings. 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 two general meetings held during the Year.

<b>Name of Directors</b>	<b>Board Meeting</b>	<b>Audit Committee Meeting</b>	<b>Remuneration Committee Meeting</b>	<b>Nomination Committee Meeting</b>	<b>General Meeting</b>
<i>Executive directors:</i>					
Mr. Huang Binghuang	8/8	N/A	N/A	1/1	2/2
Ms. Xia Ping	8/8	N/A	1/1	N/A	2/2
Ms. Wang Lijiao	8/8	N/A	N/A	N/A	2/2
<i>Independent non-executive directors:</i>					
Mr. Duan Rihuang	8/8	3/3	1/1	1/1	2/2
Mr. Wang Rongfang	8/8	3/3	1/1	1/1	2/2
Mr. Tso Sze Wai	8/8	3/3	N/A	N/A	2/2

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

### 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.

The Board provides leadership, approves major policies, reviews and monitors the business performance of the Group, approves major funding and investment proposals, as well as the consolidated financial statements of the Group. Day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management.

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.

### Board Independence

The Group has established mechanisms to ensure that independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board:

- At least one-third of the Board are independent non-executive directors in compliance with the Listing Rules requirements, and the Company will assess the independence of the independent non-executive Directors on at least an annual basis.
- The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Directors before appointment and the continued independence of the current long-serving independent non-executive Directors on an annual basis. All independent non executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- All Directors and committees of the Board are entitled to retain independent professional advisors as and when it is required.
- All Directors are encouraged to express their views in an open and candid manner during the Board/ Board committee meetings.
- The Chairman of the Board will meet with the independent non-executive Directors at least annually without the presence of the executive Directors.

# Corporate Governance Report

## BOARD OF DIRECTORS (CONTINUED)

### Board Independence (Continued)

- A Director (including independent non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- No equity-based remuneration with performance-related elements will generally be granted to independent non-executive Directors.

The Board would review the implementation and effectiveness of the above mechanisms on an annual basis.

### Directors' continuous professional development

Directors are encouraged 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.

	Reading regulatory updates and materials	Attending seminars/ briefings
<i>Executive directors:</i>		
Mr. Huang Binghuang	✓	✓
Ms. Xia Ping	✓	✓
Ms. Wang Lijiao	✓	✓
<i>Independent non-executive directors:</i>		
Mr. Duan Rihuang	✓	✓
Mr. Wang Rongfang	✓	✓
Mr. Tso Sze Wai	✓	✓

# Corporate Governance Report

## CHAIRMAN

During the Year, Mr. Huang Binghuang performs the role of the Chairman of the Company. Mr. Huang Binghuang focuses on formulating the corporate direction and strategies of the Company. The Chairman is responsible for leading the Board, and facilitating the business of the Board and the effectiveness of individual Director, both during and outside Board meetings. The Chairman plays a key role in the development of the Group's strategy and in ensuring management succession. Mr. Huang Binghuang is also the chief executive officer of the Company, in which position he is responsible to lead executive management of the Group, taking overall responsibilities for the supervision and the conducts of the Company's business and its ordinary operations.

## 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, maintaining an appropriate relationship with external auditors and shall assist the Board to fulfill its responsibility over the audit process.

During the Year, the Audit Committee comprises all independent non-executive directors of the Company as follows:

Mr. Tso Sze Wai (*Chairman of the Audit Committee*)  
Mr. Duan Rihuang  
Mr. Wang Rongfang

During the Year, the Audit Committee met two occasions with the presence of external auditors and discharged its responsibilities in its review of the interim and annual results and one occasion for the appointment of external auditor. 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 2022 and the interim results of the Group for the six months ended 30 June 2023 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;

# Corporate Governance Report

## BOARD COMMITTEES (CONTINUED)

### Audit committee (Continued)

- 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.

### 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. It shall also assess the performance of executive Directors and make recommendations to the Board on the remuneration packages of individual executive Director and senior management, as well as review and/or approve matters relating to share schemes of the Company.

During the Year, the Remuneration Committee comprises all independent non-executive directors of the Company, they are as follows:

Mr. Wang Rongfang (*the Chairman of the Remuneration Committee*)  
Mr. Duan Rihuang  
Ms. Xia Ping

During the Year, the Remuneration Committee held one meeting and preformed the work included the followings:

- a. reviewing and discussing the remuneration package of the existing directors of the Company, with reference to the performance of such Directors; and
- b. making recommendation of new remuneration packages of the directors and communicating to the Board.

The Remuneration Committee is tasked within its term of reference to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration policy and package of the Group’s employees are periodically reviewed by the remuneration committee. The Remuneration Committee has reviewed the remuneration policy and package of the Group, including an assessment of individual performance, attractiveness of the rewards offered by the Company, talent retention and incentivization, the financial condition and performance of the Group. No share options were recommended to be awarded by the Remuneration Committee during the Year.

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 14 to the consolidated financial statements.

# Corporate Governance Report

## BOARD COMMITTEES (CONTINUED)

### Remuneration committee (Continued)

Pursuant to code provision E.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	3

### 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, the Nomination Committee comprises all independent non-executive directors of the Company, they are as follows:

Mr. Huang Binghuang (*the Chairman of the Nomination Committee*)  
Mr. Duan Rihuang  
Mr. Wang Rongfang

During the Year, the Nomination Committee held one meeting and preformed the work included the followings:

- 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;
- reviewing the new appointment of the executive director and the independent non-executive directors;
- reviewing the re-appointment of retiring directors for re-election;
- assessing the independence of the independent non-executive directors; and
- making recommendation to the Board on the appointment of director.

# Corporate Governance Report

## 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.

Measurable objective that the Board set for implementing the diversity policy is that at least one Director is female. For the Year, this measurable object has been fulfilled as 1/3 of the Directors are female. As at the date of this report, the female-to male ratio of the Board members was 1:2 and the female-to-male ratio of the workforce (including the senior management) was 2:5, reflecting a gender equality principle generally adhered by the Group and consistent with the practices in the industry in which the Group operates.

The Board is mindful of the objectives for the factors as set out in the diversity policy for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the diversity policy. Similar considerations will also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio. The Nomination Committee will discuss periodically and when necessary, agree on further measurable objectives and plans for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. At present, the Board has not set any further measurable objectives or plans.

# Corporate Governance Report

## 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the consolidated 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 in accordance with the statutory requirements and accounting standards.

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 36 to 41 of the Annual Report 2023.

# Corporate Governance Report

## AUDITORS

On 6 December 2023, Fan, Chan & Co. Limited (“Fan Chan”) resigned as the auditor of the Group and Infinity CPA Limited (“Infinity”) has been appointed as the new auditor of the Group to fill the causal vacancy following the resignation of Fan Chan and will continue as such until the forthcoming annual general meeting of the Company. The annual consolidated financial statements of the Group for the Year have been audited by Infinity. The auditor’s responsibilities for the Group’s financial statements are set out in the Independent Auditor’s Report on pages 36 to 41 of the Company’s Annual Report 2023.

The Audit Committee is responsible for evaluating the external auditor of the Group including but not limited to their independence and objectivity.

The fees of the external auditor of the Group for audit services amounted to HK\$550,000 and no non-audit services was incurred for the Year.

## COMPANY SECRETARY

Mr. Tam Chun Wa, member of the Hong Kong Institute of Certified Public Accountants, was the Company Secretary 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.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (CONTINUED)

### 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 Company has adopted the Shareholders' Communication Policy. Under the Shareholders' Communication Policy, the Board shall maintain an on-going dialogue with the Shareholders and prospective investors and establish different channels of communication, including the shareholders' meeting and the Company's website, to ensure effective timely dissemination of information.

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.

The Board reviews the implementations and effectiveness of the Shareholders' Communication Policy on an annual basis. After review, the Board considered that the Shareholders' Communication Policy remained effective and was properly implemented given the multiple channels of communication in place 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 established an internal audit function.

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.

A year-end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually. The Board, through its review and the review made by the Audit Committee and the external consultant during the Year, considered that the risk management and internal control systems were effective and adequate.

# Directors' Biographies

## EXECUTIVE DIRECTORS

**Mr. Huang Binghuang ("Mr. Huang")**, aged 52, 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 and is currently a director of the subsidiaries of the Company, namely Super Homes Limited and China Graphene Holdings Limited. There is a service contract entered into between the Company and Mr. Huang on 20 April 2021, pursuant to which his appointment is for a term of three years commencing from 1 May 2021 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice) but is subject to retirement by rotation and re-election at annual general meetings in accordance with the Listing Rules and the Bye-laws of the Company. Mr. Huang graduated from the Chongqing University. Mr. Huang 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. Mr. Huang 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. Mr. Huang 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 Group Inc. as Mr. Huang holds 100% of the shares and is the director of China Asia Group Inc. 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.

# Directors' Biographies

## EXECUTIVE DIRECTORS (CONTINUED)

**Ms. Xia Ping ("Ms. Xia")**, aged 51, was appointed as an executive director of the Company and a member of the Remuneration Committee on 30 September 2019 and is currently a director of a number of subsidiaries of the Company, including Super Homes Limited and Cheung Kee Garden Limited. There is a service contract entered into between the Company and Ms. Xia on 20 April 2021, pursuant to which her appointment is for a term of three years commencing from 1 May 2021 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice) but is subject to retirement by rotation and re-election at annual general meetings in accordance with the Listing Rules and the Bye-laws of the Company. Ms. Xia graduated from the Fuzhou Teachers' College of East China University of Technology\* (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. Ms. Xia is the executive president of Shenzhen Haogang Zhongya Electronic City Group Co., Ltd (深圳市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).

**Ms. Wang Lijiao ("Ms. Wang")**, aged 43, was appointed as a non-executive Director and a member of the Audit Committee on 30 September 2019 and was redesignated from a non-executive director to an executive director and ceased to be a member of the Audit Committee on 18 November 2022. Ms. Wang has entered into a service contract with the Company for a term of 3 years commencing from 18 November 2022 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice). Ms. Wang is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Listing Rules and the Bye-laws of the Company. Ms. Wang has been serving as the chief financial officer of China Asia Zhi Ye Group Limited\* (中亞置業集團有限公司) since 8 April 2008. Ms. Wang graduated from the Communication University of China (中國傳媒大學) in 2021 with a bachelor's degree in accounting through online studies.

# Directors' Biographies

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Duan Rihuang (“Mr. Duan”)**, aged 66, 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 entered into a service contract with the Company on 20 April 2021 pursuant to which his appointment is for a term of three years commencing from 1 May 2021 (which shall continue for successive periods until terminated by either party giving at least two (2) months' notice) but is subject to rotation and re-election as annual general meetings in accordance with the Listing Rules and the Bye-laws of the Company. 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 Jiangxi Liancheng Tourism Rental Company Limited\* (江西聯城旅遊出租有限公司). 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 Jiangzi Ruiji Communication Technology Company Limited\* (江西瑞吉通訊技術有限公司). Currently, Mr. Duan was also the vice chairman of Jiangnan Valve Company Limited\* (江南閥門有限公司) from 2012 to 2022.

**Mr. Wang Rongfang (“Mr. Wang”)**, aged 61, 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 effect from 23 June 2021. Mr. Wang has entered into a service contract with the Company for a term of 3 years commencing from 23 June 2021 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice). Mr. Wang is subject to retirement by rotation and re-election at annual general meeting(s) requirements in accordance with the Listing Rules and the Bye-laws of the Company. 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, Mr. Wang 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\* (深圳寶安沙井壘崗統建樓工程項目). 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, Mr. Wang 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, Mr. Wang 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, Mr. Wang 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).

# Directors' Biographies

## INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

**Mr. Tso Sze Wai ("Mr. Tso")**, age 53, was appointed as an independent non-executive Director and the chairman of the Audit Committee on 2 July 2021. Mr. Tso has entered into a service contract with the Company for a term of 3 years commencing from 2 July 2021 (which shall continue for further successive periods until terminated by either party giving at least two (2) months' notice). Mr. Tso is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Listing Rules and the Bye-laws of the Company.

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. Mr. Tso is also an independent non-executive director of Willas-Array Electronics (Holdings) Limited (stock code: 854) from 2022 and Hop Fung Group Holdings Limited (stock code: 2320) from 2023, both being companies the shares of which are listed on the Stock Exchange. Mr. Tso 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. Mr. Tso was an independent non-executive director of C-Link Squared Limited (SEHK stock code: 1463) from December 2021 to March 2022, an independent non-executive director of KTL Global Limited (SGX-ST stock code: EB7) from June 2020 to August 2021 and the financial controller and the company secretary of Green Energy Group Limited (SEHK stock code: 979) from August 2014 to December 2019. Mr. Tso has over 20 years of experience in accounting, corporate finance and corporate secretarial matters. Prior to that, Mr. Tso had held senior management positions in a number of listed companies in Hong Kong and Singapore.

## SENIOR MANAGEMENT

**Mr. Wang Yan**, aged 44, was appointed as the executive president of the Company with effect from 2 September 2022, Mr. Wang Yan has 21 years of experience in property development, property management and industrial park related investment and operations in the People's Republic of China (the "PRC"). Prior to joining the Company, Mr. Wang Yan was the chairman and general manager of Guizhou Baikong Industrial Development Co., Ltd.\* (貴州百控實業發展有限公司) from July 2013 to May 2022 and the general manager of Shenzhen Tianli Real Estate Group Co., Ltd.\* (深圳市天利地產集團有限公司) from August 2008 to June 2013. From July 2002 to August 2008, Mr. Wang Yan served as a department manager and chairman of subsidiary(ies) of Shenzhen Mintai Group Co., Ltd.\* (深圳閩泰集團有限公司). Mr. Wang Yan graduated from Jilin University with a bachelor's degree in engineering in 2001. Mr. Wang Yan is a mechanical engineer in the PRC.

The board of directors (the "Board") of China Asia Valley Group Limited (the "Company") announces that Mr. Wang Yan has ceased to be the executive president of the Company with effect from 4 December 2023.

# Independent Auditor's Report



## Infinity CPA Limited

Room 1501, 15/F., Olympia Plaza  
255 King's Road, North Point  
Hong Kong

### To the shareholders of China Asia Valley Group Limited

(Incorporated in Bermuda with limited liability)

### Opinion

We have audited the consolidated financial statements of China Asia Valley Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 112, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 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 ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 for Accountant's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

### Key Audit Matter

#### ***Valuation of investment properties***

We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining their fair values.

The Group's investment properties are measured at fair value of approximately HK\$348,000,000, accounting for approximately 58.1% of the Group's total assets, as at 31 December 2023 with a fair value gain on investment properties of approximately HK\$2,000,000 recognised in the consolidated statements of profit or loss and other comprehensive income for the year then ended.

The determination of the fair value of these investment properties is performed using the income approach of valuation.

Management has engaged independent qualified professional valuers (the "Valuer") to determine the fair value of these properties. The valuation of these properties is significant to our audit as significant judgement and estimates are involved in determining the key inputs applied in the valuation techniques adopted by the Valuer.

### How our audit addressed the Key Audit Matter

Our procedures in relation to the valuation of investment properties mainly included:

- Obtaining an understanding from the Valuer and management of the Group about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgemental areas, key inputs and data used in the valuations;
- Assessing the accuracy of information provided by the management to the Valuer by comparing details of rentals on a sample basis to the respective underlying existing lease agreements;
- Evaluating the Valuer's independence, competence, capabilities and objectivity;
- Evaluating the reasonableness of significant unobservable inputs by comparing the market rent estimated by the Valuers against market data or rental of existing lease, benchmarking capitalisation rate against market data and comparing adjusted market price with comparable market transactions for comparable property in similar location and condition on a sample basis;

# Independent Auditor's Report

The accounting policies and disclosures in relation to the valuation of investment properties are included in notes 4, 6f(b) and 19 to the consolidated financial statements.

- With the assistance of our internal valuation expert, discussing with the Valuer and assessing their valuation methodology and challenging the key estimates and assumptions adopted in the valuations;
- Comparing the current year properties and in particular their value, capitalisation rates and rental income to the prior year information to obtain a better understanding of the most significant movements in the current year;
- Testing the mathematical accuracy of the calculation and checking the information included in the calculation; and
- Assessing the appropriateness and sufficiency of the disclosures made in the consolidated financial statements.

Based on the procedures performed, we considered that the management's judgments and estimations used in the valuation of investment properties were supportable by the evidence we have gathered.

## Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed a qualified opinion on those statements on 30 March 2023.

## Information other than the consolidated financial statements and auditor's report thereon

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

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

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

# Independent Auditor's Report

## Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of 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.

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

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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.

# Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

# Independent Auditor's Report

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Chan Kin Ming.

**Infinity CPA Limited**

*Certified Public Accountants*

**Chan Kin Ming**

Practising certificate number P07802

Hong Kong, 27 March 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	7	<b>38,267</b>	39,875
Other income and gains, net	8	<b>7,831</b>	1,010
Gain on disposal of subsidiaries		–	20
Staff costs		<b>(20,922)</b>	(18,503)
Depreciation and amortisation expenses		<b>(1,485)</b>	(1,513)
Impairment loss on trade receivables		<b>(81)</b>	–
Other property management related expenses		<b>(7,095)</b>	(9,355)
Other operating and administrative expenses		<b>(7,809)</b>	(7,297)
Fair value gain/(loss) on investment properties		<b>2,000</b>	(46,000)
<b>Profit/(loss) from operations</b>		<b>10,706</b>	(41,763)
Finance costs	10	<b>(8,289)</b>	(4,854)
<b>Profit/(loss) before tax</b>		<b>2,417</b>	(46,617)
Income tax expense	11	<b>(235)</b>	(390)
<b>Profit/(loss) for the year</b>	12	<b>2,182</b>	(47,007)
<b>Other comprehensive expense</b> <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(545)</b>	(1,032)
<b>Other comprehensive expense for the year, net of tax</b>		<b>(545)</b>	(1,032)
<b>Total comprehensive income/(expense) for the year</b>		<b>1,637</b>	(48,039)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>2,509</b>	(47,007)
Non-controlling interests		<b>(327)</b>	–
		<b>2,182</b>	(47,007)
<b>Total comprehensive income/(expense) for the year attributable to:</b>			
Owners of the Company		<b>1,963</b>	(48,039)
Non-controlling interests		<b>(326)</b>	–
		<b>1,637</b>	(48,039)
<b>Earnings/(loss) per share</b> Basic and diluted ( <i>HK cent(s) per share</i> )	16	<b>0.09</b>	(1.67)

# Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	867	891
Right-of-use assets	18	914	364
Investment properties	19	348,000	346,000
Goodwill	20	200	–
		<b>349,981</b>	347,255
<b>Current assets</b>			
Inventories	21	1,089	594
Trade and other receivables	22	181,086	6,273
Tax recoverable		–	32
Pledged bank deposits	23	15,332	14,891
Cash and cash equivalents	23	51,131	3,033
		<b>248,638</b>	24,823
<b>Current liabilities</b>			
Trade and other payables	24	227,917	12,906
Amounts due to related parties	25	–	67,638
Current tax liabilities		11	23
Lease liabilities	27	873	322
Bank borrowings	26	160,000	160,000
		<b>388,801</b>	240,889
<b>Net current liabilities</b>		<b>(140,163)</b>	(216,066)
<b>Total assets less current liabilities</b>		<b>209,818</b>	131,189
<b>Non-current liabilities</b>			
Amount due to related party	25	76,774	–
<b>NET ASSETS</b>		<b>133,044</b>	131,189
<b>Capital and reserves</b>			
Share capital	29	140,955	140,955
Reserves	31	(7,803)	(9,766)
<b>Equity attributable to owners of the Company</b>		<b>133,152</b>	131,189
Non-controlling interests		(108)	–
<b>TOTAL EQUITY</b>		<b>133,044</b>	131,189

The consolidated financial statements on pages 42 to 112 are approved and authorised for issue by the Board of Directors on 27 March 2024 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 2023

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits/ losses (accumulated) HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2022	140,955	26,770	121	232	11,150	179,228	-	179,228
Loss for the year	-	-	-	-	(47,007)	(47,007)	-	(47,007)
Other comprehensive expense for the year	-	-	-	(1,032)	-	(1,032)	-	(1,032)
Total comprehensive expense for the year	-	-	-	(1,032)	(47,007)	(48,039)	-	(48,039)
At 31 December 2022	140,955	26,770	121	(800)	(35,857)	131,189	-	131,189
At 1 January 2023	<b>140,955</b>	<b>26,770</b>	<b>121</b>	<b>(800)</b>	<b>(35,857)</b>	<b>131,189</b>	<b>-</b>	<b>131,189</b>
Profit for the year	-	-	-	-	2,509	2,509	(327)	2,182
Other comprehensive income/(expense) for the year	-	-	-	(546)	-	(546)	1	(545)
Total comprehensive income/(expense) for the year	-	-	-	(546)	2,509	1,963	(326)	1,637
Contribution from a non-controlling interest	-	-	-	-	-	-	218	218
At 31 December 2023	<b>140,955</b>	<b>26,770</b>	<b>121</b>	<b>(1,346)</b>	<b>(33,348)</b>	<b>133,152</b>	<b>(108)</b>	<b>133,044</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	2,417	(46,617)
Adjustments for:		
Depreciation of property, plant and equipment	395	363
Depreciation of right-of-use assets	1,090	1,150
Interest income	(174)	(101)
Finance costs	8,289	4,854
Gain on disposal of subsidiaries	–	(20)
Fair value (gain)/loss on investment properties	(2,000)	46,000
Impairment loss on trade receivables	81	–
(Gain)/loss on disposal of property, plant and equipment	(320)	50
Operating cash flows before working capital changes	9,778	5,679
Change in inventories	(498)	9
Change in trade and other receivables	(174,855)	3,086
Change in trade and other payables	214,988	333
Cash generated from operations	49,413	9,107
Income tax paid	(215)	(679)
<b>Net cash generated from operating activities</b>	<b>49,198</b>	<b>8,428</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(372)	(126)
Proceeds on disposal of property, plant and equipment	320	5
Proceeds on disposal of subsidiaries	–	20
Additions in pledged bank deposits, net	(441)	(1,643)
Net cash outflow from acquisition of a subsidiary	(77)	–
Interest received	174	101
<b>Net cash used in investing activities</b>	<b>(396)</b>	<b>(1,643)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from financing activities</b>		
Repayment to a shareholder of the immediate holding company	–	(3,000)
Advance from the controlling shareholder	<b>9,000</b>	–
Advance from the ultimate holding company	–	15,357
Repayment to the immediate holding company	–	(15,000)
Repayment of lease liabilities (principal portion)	<b>(1,089)</b>	(1,224)
Lease interest paid	<b>(50)</b>	(26)
Contribution from a non-controlling interest	<b>218</b>	–
Interest paid on bank borrowings	<b>(8,239)</b>	(4,828)
<b>Net cash used in financing activities</b>	<b>(160)</b>	(8,721)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>48,642</b>	(1,936)
Effect of foreign exchange rate changes	<b>(544)</b>	(1,022)
<b>Cash and cash equivalents at beginning of year</b>	<b>3,033</b>	5,991
<b>Cash and cash equivalents at end of year</b>	<b>51,131</b>	3,033
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	<b>51,131</b>	3,033

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 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 38 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Directors”), as at the date of issue of this report, China Asia Group Inc., a company incorporated in British Virgin Islands with limited liability, is the immediate holding company and the ultimate holding company, and controlled by Mr. Huang Binghuang (the “Controlling Shareholder”).

## 2. BASIS OF PREPARATION

### Going concern basis

The Group had net current liabilities of approximately HK\$140,163,000 as at 31 December 2023. The Group’s bank borrowings with a repayment on demand clause amounted to HK\$160,000,000 as at 31 December 2023 (the “Borrowings”). These conditions cast a significant doubt about the ability of the Group to continue as a going concern. Notwithstanding this fact, the Directors consider that 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 2023 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 31 December 2023, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months from the reporting date and the Directors consider that the Group is financially viable to continue as a going concern.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern basis (Continued)

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;
- (b) the Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due;
- (c) the Controlling Shareholder has stated that he would not demand for repayment of balances due to him amounting to approximately HK\$76.8 million for at least twelve months; and
- (d) the Group has obtained a letter from the bank after the end of the reporting period, in which it is stated that the bank does not expect the Borrowings would be demanded or cancelled in the next twelve months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the Directors do not consider that it is probable that any event of default will occur in the next twelve months from the date of the letter.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Should the Group be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective for the current accounting period of the Group.

- HKFRS 17, Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS 17)
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS12, International Tax Reform – Pillar Two Model Rules

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The application of the amendments to the standards listed above in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period. Except for the amendments to HKFRSs mentioned below, the Group has already commenced an assessment of the impact of these new and amendments to HKFRSs but is not yet in a position to state whether these new and amendments to HKFRSs would have a material impact on its results of operations and financial position:

	<b>Effective for accounting periods beginning on or after</b>
• Amendments to HKFRS 10 and HKAS 28, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
• Amendments to HKFRS 16, Lease Liability in a Sales and Leaseback	1 January 2024
• Amendments to HKAS 1, Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
• Amendments to HKAS 1, Non-current Liabilities with Covenants	1 January 2024
• Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements	1 January 2024
• Amendments to HKAS 21, Lack of Exchangeability	1 January 2025

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### **Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong**

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The Group will adopt this approach and is still in the process of assessing the impact of the LSP obligation due to the Amendment Ordinance.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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 material accounting policies applied in the preparation of the consolidated financial statements are set out below.

### Consolidation

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Consolidation (Continued)

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 expenses 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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### **Business combination and goodwill (Continued)**

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 (“CGUs”) 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.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Foreign currency translation (Continued)

#### *(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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment (Continued)

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 and equipment	2 to 5 years
Motor vehicles	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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Leases

#### *The Group as lessee*

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

Land and buildings	Over the lease terms
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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.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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 The People's Republic of China (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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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 2023

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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\$") and Renminbi ("RMB"). 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2023 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.

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

The Group 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; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (Continued)

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. 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.

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			
					Gross carrying amount	
					At 31 December 2023	At 31 December 2022
	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL		
Performing					12 month expected losses	
Non-performing					Lifetime expected losses	
Financial assets at amortised cost						
Trade receivables	22	N/A	Low risk	Lifetime ECL (not credit impaired)	<b>4,802</b>	4,730
Deposits and other receivables	22	N/A	Low risk	12-month ECL	<b>174,074</b>	1,213
Pledged bank deposits	23	N/A	Low risk	12-month ECL	<b>15,332</b>	14,891
Cash and cash equivalents	23	N/A	Low risk	12-month ECL	<b>51,131</b>	3,033

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group 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	More than 1 year but less than 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2023</b>					
Trade and other payables	NA	227,917	–	227,917	227,917
Amount due to a related party	0.206%	158	76,774	76,932	76,774
Bank borrowings (note a)	5.337%	23,710	158,346	182,056	160,000
Lease liabilities	2.520%	895	–	895	873
		<b>252,680</b>	<b>235,120</b>	<b>487,800</b>	<b>465,564</b>
<b>At 31 December 2022</b>					
Trade and other payables	NA	12,906	–	12,906	12,906
Amounts due to related parties	NA	67,638	–	67,638	67,638
Bank borrowings (note b)	3.018%	162,244	–	162,244	160,000
Lease liabilities	0.932%	325	–	325	322
		<b>243,113</b>	<b>–</b>	<b>243,113</b>	<b>240,866</b>

Note:

- After the end of the reporting period, the Group has obtained a letter from the bank on, the bank do not expect the Borrowings would be demanded or cancelled in the next 12 months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the Group will occur the event of default in the next 12 months from the date of the letter. Therefore, the non-current portion of the Borrowings will be classified into more than 1 year but less than 2 years in this table.
- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 Hong Kong Interbank Offered Rate ("HIBOR") and Prime rate arising from the Group's HK\$ denominated borrowing.

At 31 December 2023, if the interest rates had been 100 basis points lower with all other variables held constant, consolidated profit for the year would have been HK\$1,600,000 higher (consolidated loss for the year 2022: HK\$1,600,000 lower), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit for the year would have been HK\$1,600,000 lower (consolidated loss for the year 2022: HK\$1,600,000 higher), 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

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	245,076	23,685
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	465,564	240,866

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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:			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At 31 December 2023</b>				
<b>Investment Properties</b>				
– Residential units – Hong Kong	–	–	348,000	348,000
At 31 December 2022				
Investment Properties				
– Residential units – Hong Kong	–	–	346,000	346,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2023 and 2022:

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

#### Level 3 fair value measurements

Description	Valuation technique	Key Inputs	Fair Value	
			2023 HK\$'000	2022 HK\$'000
Residential units located in Hong Kong	Sales comparison approach	Unit sales rate of HK\$22,900 to HK\$27,900 per square feet on net floor area basis as at 31 December 2022	-	63,000
	Income Approach	Capitalisation rate of 3.5% (2022: 2.5%); rent at an average of HK\$46.47 (2022: HK\$36.07) per square feet per month per square feet on net floor area basis for the purpose of deriving at reversionary potential of the property interest	<b>348,000</b>	283,000
			<b>348,000</b>	346,000

During the year, there were changes in the valuation methodology adopted by the Group for its investment properties. In 2023, the valuation methodology adopted is the income approach, whereas both income approach and sales comparison approach were used in 2022.

The investment properties of the Group do not have recent transactions since April 2022. The directors considered the sales comparison approach can not reflect the fair value of the investment properties without tenancy at year end. Therefore, the investment properties only adopted income approach in 2023.

In 2023, the valuation technique of the fair value of the investment properties at year end takes into account the current rent receivable from other tenancy agreements and reversionary potential of the property interests.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2023 and 2022: (Continued)

##### Level 3 fair value measurements (Continued)

In 2022, the sales comparison approach (with the benefit of vacant possession) is used as the valuation technique for residential units without tenancy at year end and the income approach is used for residential units with tenancy agreements at year end as this valuation technique takes into account the current rent receivable from existing tenancy agreements and reversionary potential of the property interests.

Hence the sales comparison approach was used as the valuation technique for four residential units and the income approach was used as the valuation technique for the remaining residential units in 2022.

## 7. REVENUE

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

	2023 HK\$'000	2022 HK\$'000
Rental income from investment properties	6,398	5,764
Provision of property management and other related services	25,365	27,768
Provision of horticultural services and sales of plants	6,504	6,343
	<b>38,267</b>	<b>39,875</b>

## 8. OTHER INCOME AND GAINS, NET

	2023 HK\$'000	2022 HK\$'000
Bad debts recovered	–	112
Interest income on bank deposits	174	101
Gain/(loss) on disposal of property, plant and equipment	320	(50)
Government grant	–	377
Reversal of over provision of staff salaries	6,745	–
Others	592	470
	<b>7,831</b>	<b>1,010</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about the components of the Group that are regularly received and reviewed 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 of the Company.

The Group has three operating segments as follows:

Property investment – engages in leasing out residential properties

Horticultural services and sale of plants – 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 for financial reporting purposes are the three operating segments described above, which are three strategic business units that offer different products and services. They are managed separately because each business requires different skills and marketing strategies.

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, finance costs and income tax expense. Segment assets do not include pledged bank deposits and unallocated corporate assets. Segment liabilities do not include bank borrowings, amounts due to related parties, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Disaggregated by major products or services		
– Provision of property management and other related services	<b>25,365</b>	27,768
– Provision of horticultural services and sales of plants	<b>6,504</b>	6,343
Revenue from contracts with customers	<b>31,869</b>	34,111
Rental income from investment properties	<b>6,398</b>	5,764
Total revenue	<b>38,267</b>	39,875

### Timing of revenue recognition

	2023			2022		
	At a point in time <i>HK\$'000</i>	Over time <i>HK\$'000</i>	Total <i>HK\$'000</i>	At a point in time <i>HK\$'000</i>	Over time <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision of property management and other related services	–	25,365	25,365	–	27,768	27,768
Provision of horticultural services and sales of plants	1,018	5,486	6,504	861	5,482	6,343
Total	1,018	30,851	31,869	861	33,250	34,111

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (a) Disaggregation of revenue (Continued)

#### *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 the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (b) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

*For the year ended 31 December 2023*

	Property investment <i>HK\$'000</i>	Horticultural services and sale of plants <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from customers	6,398	6,515	25,841	38,754
Intersegment revenue	–	(11)	(476)	(487)
Segment revenue from external customers	6,398	6,504	25,365	38,267
<b>Segment profit</b>	<b>10,682</b>	<b>3,128</b>	<b>7,453</b>	<b>21,263</b>
Other income and gains, net				875
Unallocated depreciation of property, plant and equipment and right-of-use assets				(1,198)
Other operating and administrative expenses				(10,234)
Finance costs				(8,289)
Profit before tax				<u>2,417</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (b) Segment revenues and results (Continued)

*For the year ended 31 December 2022*

	Property investment <i>HK\$'000</i>	Horticultural services and sale of plants <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from customers	5,764	6,358	27,768	39,890
Intersegment revenue	–	(15)	–	(15)
Segment revenue from external customers	5,764	6,343	27,768	39,875
<b>Segment (loss)/profit</b>	(43,855)	503	9,362	(33,990)
Other income and gains, net				487
Unallocated depreciation of property, plant and equipment and right-of-use assets				(1,259)
Other operating and administrative expenses				(7,001)
Finance costs				(4,854)
Loss before tax				(46,617)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	At 31 December 2023 HK\$'000	At 31 December 2022 HK\$'000
<b>Segment assets</b>		
Property investment	349,191	347,126
Horticultural services and sale of plants	1,913	2,409
Property management and other related services	12,104	6,416
Total segment assets	363,208	355,951
Pledge bank deposits	15,332	14,891
Tax recoverable	–	32
Unallocated assets:		
Right-of-use assets	859	177
Cash and cash equivalents	42,704	173
Other assets	176,516	854
Consolidated total assets	598,619	372,078
<b>Segment liabilities</b>		
Property investment	1,370	6,601
Horticultural services and sale of plants	1,145	2,286
Property management and other related services	2,492	3,104
Total segment liabilities	5,007	11,991
Bank borrowings	160,000	160,000
Amounts due to related parties	76,774	67,638
Current tax liabilities	11	23
Unallocated liabilities:		
Other liabilities	222,910	1,053
Lease liabilities	873	184
Consolidated total liabilities	465,575	240,889

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (d) Other segment information

	Property investment <i>HK\$'000</i>	Horticultural services and sale of plants <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the year ended 31 December 2023</b>					
<b>Amounts included in measure of segment profit or loss or segment assets:</b>					
Depreciation of property, plant and equipment and right-of-use assets	-	264	21	1,200	1,485
Fair value gain of investment properties	2,000	-	-	-	2,000
Gain on disposal of property, plant and equipment	-	-	-	320	320
Other income	5,926	997	33	555	7,511
(Reversal of)/impairment loss on trade receivables	(155)	-	236	-	81
Additions to non-current assets	-	-	-	372	372

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (d) Other segment information (Continued)

	Property investment <i>HK\$'000</i>	Horticultural services and sale of plants <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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For the year ended  
31 December 2022

#### Amounts included in measure of segment profit or loss or segment assets:

Depreciation of property, plant and equipment and right-of-use assets	–	220	34	1,259	1,513
Fair value loss of investment properties	46,000	–	–	–	46,000
Loss on disposal of property, plant and equipment	–	–	50	–	50
Other income	–	205	268	487	960
Additions to non-current assets	–	8	8	110	126

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. SEGMENT INFORMATION (CONTINUED)

### (d) Other segment information (Continued)

#### *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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	12,953	12,107	349,938	347,197
The PRC except Hong Kong	25,314	27,768	43	58
Consolidated total	38,267	39,875	349,981	347,255

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

	2023 HK\$'000	2022 HK\$'000
Provision of property management and other related services – Customer A (note)	3,652	4,454

Note: The revenue from customer A is below 10% to the Group's revenue for the year ended 31 December 2023, but it was over 10% to the Group's revenue for the year ended 31 December 2022.

## 10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	8,239	4,828
Interest paid in lease liabilities	50	26
	8,289	4,854

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 11. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current income tax – PRC Corporate Income Tax – Provision for the year	235	390

No provision for Hong Kong Profits Tax has been made since the Company and its subsidiaries either 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 2023 and 2022. Should provision for Hong Kong Profits Tax be required, it is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tier Profit Tax rate regime.

PRC Corporate Income Tax of the subsidiaries of the Company in the PRC has been provided at applicable rates on the estimated assessable profits for the years ended 31 December 2023 and 2022. The applicable rates which may be lower than the standard rate of corporate tax at 25% represent the tax concessionary rates available to the small and medium-size enterprises in the PRC and are shown as follows:

Band of profits in Renminbi	Applicable rates
Within 1 million	2.5%
Between 1 to 3 million	5%
Over 3 million	25%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 11. INCOME TAX EXPENSE (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:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Profit/(loss) before tax	<b>2,417</b>	(46,617)
Tax at the domestic income tax rate of 16.5% (2022: 16.5%)	<b>399</b>	(7,692)
Tax effect of expenses that are not deductible	<b>3,412</b>	9,547
Tax effect of income that is not taxable	<b>(564)</b>	(19)
Tax effect of unused tax losses not recognised	–	376
Tax effect of utilisation of tax losses not previously recognised	<b>(1,763)</b>	(178)
Tax effect of temporary differences not recognised	<b>20</b>	(454)
Tax effect of tax concession	<b>(1,887)</b>	(1,969)
Tax effect of different tax rates of subsidiaries	<b>618</b>	779
	<b>235</b>	390

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 12. PROFIT/(LOSS) FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration	550	600
Cost of inventories sold or consumed	1,039	1,121
Depreciation of property, plant and equipment	395	363
Depreciation of right-of-use assets	1,090	1,150
Expenses related to short-term leases	19	42
Gain on disposal of subsidiaries	–	20
Greening costs	55	90
Property management services fees	1,540	1,405
Building management, cleaning and utilities expenses	1,170	1,057
Maintenance costs	1,813	4,191
Legal and professional service fees (including the auditor's remuneration disclosed above)	2,515	1,955
(Gain)/loss on disposal of property, plant and equipment	(320)	50
Direct operating expenses incurred for investment properties that generated rental income during the year	3,033	2,862
Direct operating expenses incurred for investment properties that did not generate rental income during the year	122	122

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 13. EMPLOYEE BENEFITS EXPENSE

	2023 HK\$'000	2022 HK\$'000
Staff costs including directors' remunerations:		
Salaries and allowances	19,215	16,119
Retirement benefit scheme contributions	1,229	1,042
Total employee benefits expense	20,444	17,161
Other employee welfare	478	1,342
Staff costs	20,922	18,503

### Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2022: two) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2022: three) individuals are set out below:

	2023 HK\$'000	2022 HK\$'000
Basic salaries and allowances	1,534	1,677
Retirement benefit scheme contributions	36	23
	1,570	1,700

None of these individuals received any emolument from the Group as an inducement to join the Group or compensation for loss of office, nor waived or has agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

The emoluments fell within the following band:

	2023	2022
Nil to HK\$1,000,000	2	3

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

Name of Director	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors:</b>				
Huang Binghuang	–	1,000	36	1,036
Xia Ping	–	500	–	500
Wang Lijiao	–	600	11	611
	–	2,100	47	2,147
<b>Independent non-executive directors:</b>				
Duan Rihuang	200	–	–	200
Wang Rongfang	240	–	–	240
Tso Sze Wai	240	–	–	240
	680	–	–	680
Total for 2023	680	2,100	47	2,827

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

Name of Director	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors:</b>				
Huang Binghuang	–	722	24	746
Xia Ping	–	500	8	508
Wang Lijiao	–	292	–	292
	–	1,514	32	1,546
<b>Independent non-executive directors:</b>				
Duan Rihuang	200	–	–	200
Wang Rongfang	240	–	–	240
Tso Sze Wai	240	–	–	240
	680	–	–	680
Total for 2022	680	1,514	32	2,226

None of the Directors waived any remuneration during the year ended 31 December 2023 (2022: Nil).

During the years ended 31 December 2023 and 2022, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were mainly for her services as director of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 15. DIVIDENDS

The board of directors (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

## 16. EARNINGS/(LOSS) PER SHARE

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Profit/(loss):		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	<b>2,509</b>	(47,007)
	<b>2023</b> <b>'000</b>	2022 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<b>2,819,102</b>	2,819,102

The basic and diluted earnings/(loss) per share were the same as the Company had no dilutive potential ordinary shares in issue during the years ended 31 December 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 17. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>				
At 1 January 2022	2,518	1,457	1,611	5,586
Additions	126	–	–	126
Disposal	(79)	–	–	(79)
Exchange differences	(13)	–	–	(13)
At 31 December 2022 and 1 January 2023	<b>2,552</b>	<b>1,457</b>	<b>1,611</b>	<b>5,620</b>
Additions	<b>63</b>	<b>309</b>	–	<b>372</b>
Disposal	–	–	<b>(766)</b>	<b>(766)</b>
Exchange differences	<b>(2)</b>	–	–	<b>(2)</b>
At 31 December 2023	<b>2,613</b>	<b>1,766</b>	<b>845</b>	<b>5,224</b>
<b>Accumulated depreciation and impairment loss</b>				
At 1 January 2022	2,106	1,252	1,036	4,394
Charge for the year	124	70	169	363
Disposal	(24)	–	–	(24)
Exchange differences	(4)	–	–	(4)
At 31 December 2022 and 1 January 2023	<b>2,202</b>	<b>1,322</b>	<b>1,205</b>	<b>4,729</b>
Charge for the year	<b>129</b>	<b>97</b>	<b>169</b>	<b>395</b>
Disposal	–	–	<b>(766)</b>	<b>(766)</b>
Exchange differences	<b>(1)</b>	–	–	<b>(1)</b>
At 31 December 2023	<b>2,330</b>	<b>1,419</b>	<b>608</b>	<b>4,357</b>
<b>Carrying amount</b>				
At 31 December 2023	<b>283</b>	<b>347</b>	<b>237</b>	<b>867</b>
At 31 December 2022	350	135	406	891

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 18. RIGHT-OF-USE ASSETS

	Land and buildings <i>HK\$'000</i>
<b>Cost:</b>	
At 1 January 2023	3,465
Additions	1,640
Derecognition	(3,191)
At 31 December 2023	1,914
<b>Accumulated depreciation:</b>	
At 1 January 2023	3,101
Charge for the year	1,090
Derecognition	(3,191)
At 31 December 2023	1,000
Carrying amount At 31 December 2023	<b>914</b>
<b>Cost:</b>	
At 1 January 2022	3,191
Additions	274
At 31 December 2022	3,465
<b>Accumulated depreciation:</b>	
At 1 January 2022	1,951
Charge for the year	1,150
At 31 December 2022	3,101
Carrying amount At 31 December 2022	<b>364</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 18. RIGHT-OF-USE ASSETS (CONTINUED)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Expenses relating to short-term leases	19	42
Repayment of principal portion of lease liabilities	1,089	1,224
Interest paid in lease liabilities	50	26
Total cash outflows for leases for the year	<b>1,158</b>	1,292

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

## 19. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	346,000	392,000
Fair value gain/(loss)	2,000	(46,000)
At 31 December	<b>348,000</b>	346,000

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

The fair values of the Group's investment properties as at 31 December 2023 and 2022 have been arrived on the basis of a valuation carried out on respective dates by Libral Appraisal Limited, an independent qualified professional valuer not connected to the Group. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair values of the investment properties to the board of directors. Details refer to the note 6(f)(b) to the consolidated financial statements.

At 31 December 2023, the carrying amount of investment properties pledged as security for the Group's bank borrowings amounted to HK\$348,000,000 (2022: HK\$346,000,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 20. GOODWILL

	2023 HK\$'000	2022 HK\$'000
<b>Cost</b>		
At 1 January	–	–
Addition (note 32)	200	–
At 31 December	200	–

Goodwill was allocated to the provision of property management and other related services operating segment.

Goodwill of approximately HK\$200,000 arose from the acquisition of 100% equity interest in Century Elegant Limited (“CEL”) and was recognised at the date of acquisition, i.e. 16 November 2023. CEL is principally engaged in provision of property management and other related services.

The recoverable amount of the CGU of CEL has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period with growth rates of 2% per annum for the first year, 0% per annum for the second to fifth year, with the growth rate of 0% after the five-year period and at a pre-tax discount rate of 4.5%. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows, including budgeted income which is based on the past performance of the CGU and management’s expectations for the market development. Based on the impairment assessment, the directors of the Company consider that no impairment of goodwill is recognised for the year ended 31 December 2023 based on the recoverable amount of the CGU of CEL amounted to approximately HK\$756,000.

## 21. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Horticultural plants	607	594
Others	482	–
	1,089	594

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	4,802	4,730
Allowance for doubtful debts	(263)	(182)
	<b>4,539</b>	4,548
Prepayments (note a)	2,473	512
Rental and other deposits	573	633
Deposits paid to the landlord (note b)	172,760	–
Other receivables	741	580
	<b>181,086</b>	6,273

Note:

- a. As at 31 December 2023, included in the prepayments was approximately HK\$1,675,000 (2022: Nil) related to prepayment for legal and professional fees of the transaction (note b).
- b. The landlord is a connected party under the Chapter 14A of the Listing Rules. The Group has paid HK\$172,760,000 to the landlord in relation to very substantial acquisition and connected transaction in relation to the tenancy agreement, the details refer to the circular dated 31 October 2023.

The directors of the Company has assessed the financial position of the counterparty and are of the opinion that there was no significant credit risk and the expected credit loss was limited to 12-months expected credit losses. Therefore, ECL rate of these deposits were assessed to be close to zero and no provision was made as at 31 December 2023.

The credit term is generally 30 days for horticultural services. 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:

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	2,750	3,852
91 to 180 days	1,032	570
181 to 365 days	681	44
Over 365 days	76	82
	<b>4,539</b>	4,548

Approximately HK\$4,036,000 was subsequently settled after the end of the reporting period.

An allowance was made for estimated irrecoverable trade receivables of approximately HK\$81,000 (2022: Nil) for the year ended 31 December 2023.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of allowance for trade receivables:

	2023 HK\$'000	2022 HK\$'000
At 1 January	182	182
Impairment during the year	81	–
At 31 December	263	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 shared 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 2023						
Weighted average expected loss rate	–	3%	10%	10%	15%	
Receivable amount (HK\$'000)	832	2,143	887	681	259	4,802
Loss allowance (HK\$'000)	–	(65)	(89)	(70)	(39)	(263)
At 31 December 2022						
Weighted average expected loss rate	–	–	–	–	68%	
Receivable amount (HK\$'000)	387	3,484	548	45	266	4,730
Loss allowance (HK\$'000)	–	–	–	–	(182)	(182)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 23. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Cash at bank and on hand	66,463	17,924
Less: Pledged bank deposits	(15,332)	(14,891)
Cash and cash equivalents	<b>51,131</b>	3,033

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.

## 24. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	778	1,287
Other payables and accrued charges	6,025	10,749
Other tax payables	118	174
Contract liabilities	1,086	696
Receipt from bondholders (note)	219,910	–
	<b>227,917</b>	12,906

Note: The Company received approximately HK\$219,910,000 from bondholders in relation to the very substantial acquisition and connected transaction in relation to the tenancy agreement and proposed issue of convertible bond, the details refer to the circular of the Company dated 31 October 2023.

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

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	50	623
91 to 180 days	–	–
Over 365 days	728	664
	<b>778</b>	1,287

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 24. TRADE AND OTHER PAYABLES (CONTINUED)

The analysis of other payables and accrued charges are as follows:

	2023 HK\$'000	2022 HK\$'000
Accrued operating expenses	2,001	1,699
Accrued salaries to former directors	421	6,761
Other payables	1,245	187
Provision for long service payment	1,060	1,009
Rental deposit received	1,298	1,093
	<b>6,025</b>	<b>10,749</b>

## 25. AMOUNTS DUE TO RELATED PARTIES

	2023 HK\$'000	2022 HK\$'000
Amount due to the Controlling Shareholder	76,774	2,281
Amount due to the ultimate holding company	–	65,357
Less: non-current portion	<b>(76,774)</b>	–
	<b>–</b>	<b>67,638</b>

As at 31 December 2023, the amount due to Controlling Shareholder consisted of HK\$9,000,000 unsecured with 3% interest rate per annum and approximately HK\$67,774,000 unsecured with interest-free which are repayable after twelve months of the end of the reporting period, the remaining balances are interest free, unsecured and repayable after twelve months of the end of the reporting period. The amount due to the Controlling Shareholder is interest-free, unsecured and repayable on demand in 2022.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 26. BANK BORROWINGS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowings	<b>160,000</b>	160,000

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Repayable on demand	<b>160,000</b>	160,000

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings are repayable:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	<b>16,000</b>	–
In the second year	<b>16,000</b>	16,000
In the third year to fifth year, inclusive	<b>128,000</b>	144,000
	<b>160,000</b>	160,000

The Company's bank borrowings are denominated in HK\$.

The interest rate of the Company's bank borrowings as at 31 December 2023 was 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower (2022: 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower).

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

Bank borrowings of HK\$160,000,000 (2022: HK\$160,000,000) are secured by (i) the investment properties of carrying amount of HK\$348,000,000 as disclosed in note 19 to the consolidated financial statements (2022: HK\$346,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (2022: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2022: HK\$7,000,000), (iv) deposit 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) (2022: 60%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 26. BANK BORROWINGS (CONTINUED)

After the end of the reporting period, the Group has obtained a letter from the bank, the bank does not expect the Borrowings would be demanded or cancelled in the next twelve months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that any event of default will occur in the next twelve months from the date of the letter.

## 27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Within one year	895	325	873	322
In the second to fifth years, inclusive	–	–	–	–
	895	325	873	322
Less: Future finance charges	(22)	(3)	N/A	N/A
Present value of lease liabilities	873	322	873	322
Less: Amount due for settlement within 12 months (shown under current liabilities)			(873)	(322)
Amount due for settlement after 12 months			–	–

At 31 December 2023, the average effective borrowing rate was 3% (2022: 3%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 28. DEFERRED TAXATION

At 31 December 2023, the Group has unused tax losses of approximately HK\$340,155,000 (2022: approximately HK\$348,997,000) 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\$340,155,000 (2022: approximately HK\$348,997,000) that are available for offsetting against future profits do not expire under current tax legislation in Hong Kong. All tax losses are subjected to be agreed by tax authority.

## 29. SHARE CAPITAL

	2023 HK\$'000	2022 HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.05 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 2,819,102,084 ordinary shares of HK\$0.05 each	<b>140,955</b>	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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 29. SHARE CAPITAL (CONTINUED)

The Group's long-term policy, which was decreased from 2022, is that net debt should be in the range of 108% to 70% 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 2023 and 2022 were as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total debt	<b>160,000</b>	160,000
Less: pledged bank deposits	<b>(15,332)</b>	(14,891)
Less: cash and cash equivalents	<b>(51,131)</b>	(3,033)
Net debt	<b>93,537</b>	142,076
Equity attributable to owners of the Company	<b>133,152</b>	131,189
Debt-to-adjusted capital ratio	<b>70%</b>	108%

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.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

### (a) Statement of financial position of the Company

	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	17	23
Investment in subsidiaries	7,813	7,813
	<b>7,830</b>	7,836
<b>Current assets</b>		
Prepayments, deposits and other receivables	173,100	219
Pledged bank deposits	15,332	14,891
Cash and cash equivalents	43,728	43
	<b>232,160</b>	15,153
<b>Current liabilities</b>		
Other payables	1,496	1,009
Amounts due to subsidiaries	34,269	29,289
Receipt from bondholders	219,910	–
Amounts due to related parties	–	67,638
Bank borrowings	160,000	160,000
	<b>415,675</b>	257,936
<b>Net current liabilities</b>	<b>(183,515)</b>	(242,783)
<b>Total assets less current liabilities</b>	<b>(175,685)</b>	(242,783)
<b>Non-current liabilities</b>		
Amount due to related parties	76,774	–
<b>NET LIABILITIES</b>	<b>(252,459)</b>	(234,947)
<b>Capital and reserves</b>		
Share capital	140,955	140,955
Reserves	(393,414)	(375,902)
<b>DEFICIENCY IN ASSETS</b>	<b>(252,459)</b>	(234,947)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

### (b) Reserve movement of the Company:

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	26,770	121	234,897	(626,002)	(364,214)
Total comprehensive expense for the year	-	-	-	(11,688)	(11,688)
At 31 December 2022 and 1 January 2023	<b>26,770</b>	<b>121</b>	<b>234,897</b>	<b>(637,690)</b>	<b>(375,902)</b>
Total comprehensive expense for the year	-	-	-	(17,512)	(17,512)
At 31 December 2023	<b>26,770</b>	<b>121</b>	<b>234,897</b>	<b>(655,202)</b>	<b>(393,414)</b>

## 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.

### (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 Companies Act 1981 of Bermuda.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 31. RESERVES (CONTINUED)

### (b) Nature and purpose of reserves (Continued)

#### (ii) *Capital redemption reserve*

The application of the capital redemption reserve is governed by the Companies 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 Companies 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 32. BUSINESS COMBINATION

On 16 November 2023, the Group acquired a 100% interest in CEL. CEL is engaged in the provision of property management and other related services in Hong Kong. The purchase consideration for the acquisition was in the form of cash, with HK\$200,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of CEL as at the date of acquisition were as follows:

	<i>HK\$'000</i>
Trade and other receivables	6
Cash and cash equivalents	123
Trade and other payables	(129)
Net assets	–
Goodwill on acquisition	200
Satisfied by cash	200

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	200
Cash and bank balances acquired	(123)
Net outflow of cash and cash equivalents included in cash flows from investing activities	77

Since the acquisition, CEL contributed approximately HK\$51,000 to the Group's revenue and approximately HK\$146,000 to the consolidated loss for the year ended 31 December 2023.

Had the combination taken place at the end of the year, the revenue of the Group and the profit of the Group for the year would have been approximately HK\$38,267,000 and approximately HK\$2,182,000, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 33. DISPOSAL OF SUBSIDIARIES

### (a) Sky Heritage Holdings Limited

On 12 January 2022, the Group entered into a sales and purchases agreement with a third party to sell all issued shares of Sky Heritage Holdings Limited at a consideration of HK\$10,000. The subsidiary Sky Heritage Holdings Limited was holding shares of Five Color Stone Technology Corporation, an associate of the Group.

### (b) WI Capital Co. Limited

In July 2022, the Group entered into a sales and purchase agreement with a third party to sell all issued shares of WI Capital Co. Limited at a consideration of HK\$10,000. A gain of HK\$10,000 was recognised in the consolidated profit or loss upon the disposal during the year ended 31 December 2022. WI Capital Co. Limited and its subsidiary, WI Graphene Co., Limited were deconsolidated by the Group since the financial year ended 31 December 2021.

## 34. 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 related parties HK\$'000	Lease liabilities HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 January 2022	3,000	66,727	1,271	160,000	230,998
Changes in cash flows	(3,000)	357	(1,250)	(4,828)	(8,721)
Non-cash changes					
– Inception of new lease	–	–	275	–	275
– Interest expenses	–	–	26	4,828	4,854
– Transfer to related parties	–	554	–	–	554
At 31 December 2022 and 1 January 2023	–	67,638	322	160,000	227,960
Changes in cash flows	–	9,000	(1,139)	(8,239)	(378)
Non-cash changes					
– Inception of new lease	–	–	1,640	–	1,640
– Interest expenses	–	–	50	8,239	8,289
– Transfer to related parties	–	136	–	–	136
At 31 December 2023	–	76,774	873	160,000	237,647

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 35. LEASE COMMITMENTS

### The Group as lessor

Property rental income earned during the year was approximately HK\$6,398,000 (2022: approximately HK\$5,764,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2% (2022: 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:

	2023 HK\$'000	2022 HK\$'000
Within one year	5,567	3,189
In the second to fifth year inclusive	2,174	419
	<b>7,741</b>	<b>3,608</b>

## 36. RELATED PARTY TRANSACTIONS

Apart from disclosures elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

### (i) Transactions with related parties

	2023 HK\$'000	2022 HK\$'000
Interest expense to Controlling Shareholder	158	—

During the year ended 31 December 2023, these transactions with related parties constituted fully exempted continuing connected transactions of the Group. These transactions are de minimis transactions under Rule 20.74(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

### (ii) Key management personnel compensation

The emoluments of the directors (executive and non-executive) of the Group during the year are disclosed in Note 14.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. MAJOR NON-CASH TRANSACTION

On 31 July 2023, the Controlling Shareholder, the ultimate holding company and the Company signed an undertaking agreement, the amount due to ultimate holding company has been transferred to the Controlling Shareholder amounting to HK\$65,357,000.

## 38. 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 2023 were as follows:

Name	Place of incorporation/ establishment and operation and nature of legal entity	Particulars of issued and paid-up capital	Percentage of ownership interest		Principal activities
			Indirect	Direct	
China Graphene Holdings Limited	British Virgin Islands, limited liability company	100 ordinary share of US\$1 each	100%	–	Investment holding
Cheung Kee Garden Limited	Hong Kong, limited liability company	100 ordinary share 450,000 non-voting deferred shares	–	100%	Provision of horticultural services and sales of plants
Super Homes Limited	Hong Kong, limited liability company	100 ordinary share 100 non-voting deferred shares	–	100%	Investment properties holding
Century Elegant Limited	Hong Kong, limited liability company	1 ordinary share	–	100%	Provision of property management and other related services
China Asia Valley Property Management (Shenzhen) Co., Limited* 中亞燐谷物業管理(深圳)有限公司	The PRC, limited liability company	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, limited liability company	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, limited liability company	Nil	–	100%	Provision of property management and other related services

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation for the year.

## 40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 March 2024.

## Information of Group's Properties

Particulars of the Group's major properties held for investment as at 31 December 2023 are as follows:

<b>Location</b>	<b>Existing Use</b>	<b>Gross floor area sq. m.</b>	<b>Percentage interest attributable to the Group</b>
30 units of The ICON, 38 Conduit Road, Mid-levels, Hong Kong	Residence	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.

# Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is shown as follows:

	<b>Year ended 31 December</b>				
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>RESULTS</b>					
Revenue	<b>38,267</b>	39,875	37,810	17,216	13,458
Profit/(loss) before tax	<b>2,417</b>	(46,617)	273	(22,878)	(10)
Income tax expense	<b>(235)</b>	(390)	(603)	(70)	–
Profit/(loss) for the year	<b>2,182</b>	(47,007)	(330)	(22,948)	(10)
Profit/(loss) for the year attributable to owners of the Company	<b>2,509</b>	(47,007)	(330)	(22,961)	(10)
Non-controlling interests	<b>(327)</b>	–	–	13	–
	<b>2,182</b>	(47,007)	(330)	(22,948)	(10)
<b>As at 31 December</b>					
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	<b>349,981</b>	347,255	394,432	407,750	418,306
Current assets	<b>248,638</b>	24,823	29,201	9,828	8,844
Current liabilities	<b>(388,801)</b>	(240,889)	(244,221)	(242,627)	(230,308)
Non-current liabilities	<b>(76,774)</b>	–	(184)	(1,055)	–
Net assets	<b>133,044</b>	131,189	179,228	173,896	196,842
Equity attributable to owners of the Company	<b>133,152</b>	131,189	179,228	173,883	196,842
Non-controlling interests	<b>(108)</b>	–	–	13	–
Total equity	<b>133,044</b>	131,189	179,228	173,896	196,842

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