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CHINA ASIA VALLEY GROUP LIMITED

中亞烯谷集團有限公司

(formerly known as China Graphene Group Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 63)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of China Asia Valley Group Limited (the “**Company**”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	17,216	13,458
Cost of sales		<u>(1,016)</u>	<u>(973)</u>
Gross profit		16,200	12,485
Other income	5	1,223	9,728
Other gains	6	2,000	20,832
Impairment loss on investment in associates		(12,211)	–
Operating and administrative expenses		<u>(25,276)</u>	<u>(34,951)</u>
(Loss)/profit from operations		(18,064)	8,094
Finance costs	8	<u>(4,814)</u>	<u>(8,104)</u>
Loss before taxation		(22,878)	(10)
Income tax expenses	9	<u>(70)</u>	<u>–</u>
Loss for the year	10	<u>(22,948)</u>	<u>(10)</u>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income/(expenses)			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>2</u>	<u>(4)</u>
Other comprehensive income/(expenses)			
for the year, net of tax		<u>2</u>	<u>(4)</u>
Total comprehensive expenses for the year		<u>(22,946)</u>	<u>(14)</u>
Loss for the year attributable to:			
Owners of the Company		(22,961)	(10)
Non-controlling interests		<u>13</u>	<u>–</u>
		<u>(22,948)</u>	<u>(10)</u>
Total comprehensive expenses for the year			
attributable to owners of the Company			
Owners of the Company		(22,959)	(14)
Non-controlling interests		<u>13</u>	<u>–</u>
		<u>(22,946)</u>	<u>(14)</u>
Loss per share	<i>13</i>		
Basic (HK cent(s) per share)		<u>(0.81)</u>	<u>(0.00)</u>
Diluted (HK cent(s) per share)		<u>(0.81)</u>	<u>(0.00)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		2,364	3,087
Right-of-use assets		2,304	2,733
Investment properties		392,000	390,000
Investment in associates		–	12,211
Pledged bank deposits		11,082	10,275
		<u>407,750</u>	<u>418,306</u>
Current assets			
Inventories		474	532
Trade and other receivables	14	6,622	6,602
Cash and cash equivalents		2,732	1,710
		<u>9,828</u>	<u>8,844</u>
Current liabilities			
Trade and other payables	15	81,282	27,540
Current tax liabilities		74	–
Lease liabilities		1,271	2,768
Bank borrowings	16	160,000	200,000
		<u>242,627</u>	<u>230,308</u>
Net current liabilities		<u>(232,799)</u>	<u>(221,464)</u>
Total assets less current liabilities		<u>174,951</u>	<u>196,842</u>
Non-current liabilities			
Lease liabilities		1,055	–
NET ASSETS		<u>173,896</u>	<u>196,842</u>
Capital and reserves			
Share capital		140,955	140,955
Reserves		32,928	55,887
Equity attributable to owners of the Company		173,883	196,842
Non-controlling interests		13	–
TOTAL EQUITY		<u>173,896</u>	<u>196,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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

The Company is an investment holding company. It’s subsidiaries are principally engaged in the (i) property investment; (ii) horticultural services and sales of plants; (iii) graphene manufacturing and sales; (iv) property management and other related services; and (v) money lending.

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

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

2. GOING CONCERN BASIS

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

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

- (a) the Directors will take action to reduce costs; and
- (b) the Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

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

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

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

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

4. REVENUE

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

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

5. OTHER INCOME

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

6. OTHER GAINS

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

7. SEGMENT INFORMATION

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

The Group has five operating segments as follows:

Property investment – engages in leasing out residential properties

Horticultural services – provides horticultural services and sales of plants

Graphene manufacturing and sales – manufactures and sells graphene and graphene-related products

Property management and other related services – provides building management services

Money lending – provides loan financing to corporate entities and individuals

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

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

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

(a) Disaggregation of revenue

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

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

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

Provision of property management services

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

Sales of plants and provision of horticultural services

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

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

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

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

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

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

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

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

Reconciliations of segment revenue and profit or loss

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

Reconciliations of segment assets and liabilities

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

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

Geographical information

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental income		
– Customer A	3,360	1,968
	<u>3,360</u>	<u>1,968</u>

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	4,740	6,042
Interest on other borrowing	–	1,946
Lease interest	74	116
	<u>4,814</u>	<u>8,104</u>

9. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Overseas		
Provision for the year	<u>70</u>	<u>–</u>

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

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

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

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

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

10. LOSS FOR THE YEAR

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

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

11. EMPLOYEE BENEFITS EXPENSE

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

12. DIVIDENDS

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

13. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>(22,961)</u>	<u>(10)</u>
Number of shares:	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>2,819,102</u>	<u>2,819,102</u>

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

14. TRADE AND OTHER RECEIVABLES

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

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

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 to 90 days	2,576	1,671
91 to 180 days	<u>1</u>	<u>1</u>
	<u>2,577</u>	<u>1,672</u>

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

Reconciliation of allowance for trade receivables:

	2020 HK\$'000	2019 <i>HK\$'000</i>
At 1 January	–	27
Impairment during the year	182	–
Reversal for the year	<u>–</u>	<u>(27)</u>
At 31 December	<u>182</u>	<u>–</u>

15. TRADE AND OTHER PAYABLES

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

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
0 to 90 days	<u>101</u>	<u>63</u>

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

16. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loans	<u>160,000</u>	<u>200,000</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	<u>160,000</u>	<u>200,000</u>

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

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

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

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF CHINA ASIA VALLEY GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

Qualified Opinion

We have audited the consolidated financial statements of China Asia Valley Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. Investment in associates

Five Color Stone Technology Corporation (“Five Color Stone”)

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

2. Limited accounting books and records of subsidiaries

WI Capital Co., Limited (“WI Capital”) and WI Graphene Co., Limited (“WI Graphene”)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income and expenses for the years ended 31 December:		
Revenue	—	—
Administrative expenses	<u>(2,227)</u>	<u>(2,263)</u>
Loss from operations	<u>(2,227)</u>	<u>(2,263)</u>
Other comprehensive expenses:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(68)</u>	<u>(4)</u>
Other comprehensive expenses for the year, net of tax	<u>(68)</u>	<u>(4)</u>
Total comprehensive expenses for the year	<u><u>(2,295)</u></u>	<u><u>(2,267)</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets and liabilities as at 31 December:		
Non-current asset		
Property, plant and equipment	<u>1,508</u>	<u>1,901</u>
Current assets		
Trade and other receivables	1,894	1,808
Cash and cash equivalents	<u>13</u>	<u>13</u>
	<u>1,907</u>	<u>1,821</u>
Current liability		
Trade and other payables	<u>9,107</u>	<u>7,108</u>
Net current liabilities	<u>(7,200)</u>	<u>(5,287)</u>
Net liabilities	<u><u>(5,692)</u></u>	<u><u>(3,386)</u></u>

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

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

Material Uncertainty Related to the Going Concern

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

BUSINESS REVIEW AND PROSPECTS

Financial review

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

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

- (i) operating and administrative expenses decreased by 28% due to the effective cost cutting and control strategy implemented by new management in this period;
- (ii) fair value gain on investment properties of HK\$2,000,000 was recorded for the year ended 31 December 2020, as compared to the fair value gain amount of HK\$20,800,000 recorded for the same period in 2019;
- (iii) provision for loss in investment in associates of approximately HK\$12,211,000 was made for the Taiwan investment for this period as it is expected that such investment will not be recoverable; and
- (iv) finance cost was approximately HK\$4,814,000 in this period (2019: HK\$8,104,000), representing a reduction of 41% due to the repayment of bank loan of HK\$40,000,000 in this period.

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

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

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

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

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

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

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

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

Business review

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

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

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

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

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

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

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

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

Future Prospect

The management will further increase the number of properties under its management in the future to develop its property management services. The Company is committed to building the “Valley Property” service brand, continuously optimising and upgrading its property service system, cultivating traditional property services, and taking advantage of the “Internet+” era to build a community platform that meets customers’ needs for quality living with customer value at the core. Six ecospheres”, namely “Life Production Ecology, Financial Technology Ecosphere, Creative Enterprise Community Ecosphere, Cross-border Ecosphere, Exhibitions Ecosphere and Education Ecosphere”, will form a close functional complementary platform for sharing and sharing to provide comprehensive, diversified and sustainable community services to customers, create a new type of ecological community and become a quality living community service provider. In addition, the Group is considering certain property development projects in Southeast Asia and, if such projects materialise, will make relevant disclosures in accordance with the Listing Rules as and when appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, there was outstanding bank loans in the principal sum of HK\$160,000,000 (2019: HK\$200,000,000). The Group’s working capital requirements in 2020 are funded by bank loans and shareholder’s loan of HK\$58,000,000. The bank loan will mature in end of March 2021. As at the date of this announcement, the Company has been informed by the bank that subject to formal documentation, the bank loan has in principle been approved for an extension of one year.

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

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

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

PLEDGE OF ASSETS

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

EMPLOYEES

As at 31 December 2020, the Group has a total of 144 employees (2019: 24), including directors. Taking into account the new operation needs of the Group in Mainland China, the Group has increased its manpower by 120 staff in the second half of 2020. Employee benefits expenses for the year ended 31 December 2020 amounted to approximately HK\$11,447,000 (2019: HK\$16,190,000).

BOARD'S VIEW ON AUDITOR'S QUALIFIED OPINION

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by ZHONGHUI ANDA CPA Limited (the “**Auditor**”). The Auditor expressed qualified opinion on the Group’s consolidated financial statements for the year ended 31 December 2020 (the “**Qualified Opinion**”), the “except for” opinion on the availability of sufficient audit evidence from overseas associates and subsidiaries in 31 December 2020, 31 December 2019 and 31 December 2018. The details of the Qualified Opinion and its actual or potential impact on the Company’s financial position are set out in the extract of Independent Auditor’s Report on page 16 to page 18 of this results announcement.

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

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

WI Capital and WI Graphene

The Company has on various occasions demanded WI Capital and WI Graphene to provide the required information and documents including but not limited to dispatching its representatives to Japan with a view of reaching a consensus with the responsible personnel of WI Capital and/or WI Graphene amicably. Such effort was delayed by the outbreak of the COVID-19 pandemic in 2020, and eventually did not result in a satisfactory outcome given the uncooperative attitude of relevant counterparties. The Company has also demanded the relevant officers and personnel of WI Graphene and WI Capital (including Mr. Masaru Futohashi, the sole director of WI Graphene and WI Capital) to return the relevant corporate and shareholding documents of WI Graphene and WI Capital and effect the appointment of a new director nominated by the Company to the board of WI Capital, including but not limited to handing over the company seal of WI Capital for registration of the change of directorship with the relevant authority in Japan. Notwithstanding the Company's demands, the relevant officers and personnel of WI Graphene and WI Capital refused to adhere to the Company's demands in relation to the return of the documents and company seal of WI Capital.

As at the date of this announcement, despite the Company's persistent demands, the relevant officers of WI Capital and WI Graphene have refused to provide the Company with the relevant information and documents of WI Capital and WI Graphene. Accordingly, the Auditor was not provided with sufficient audit evidence and issued the Qualified Opinion.

Five Color Stone

The Company has on various occasions demanded Five Color Stone to provide the required information and documents. A meeting between representative(s) of the Company and the officers of Five Color Stone was held in Taiwan in 2020 with a view of resolving the issues relating to audit evidence of Five Color Stone. As at the date of this announcement, however, with the efforts of the Company, no sufficient information and documents of Five Color Stone have been provided to the Company and the Auditor. Therefore, the Auditor issued the Qualified Opinion.

The Board understood the above-mentioned situation and concurred with the basis of the Qualified Opinion. The audit committee of the Company confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above. Along with the historical practice of the Company, the Company has engaged Zhonghui ANDA Risk Services Limited, an independent internal control adviser to conduct an annual review of the internal control system, risk management and financial reporting of the Group in response to potential issues in relation to the Qualified Opinion. As an alternative and at the same time, the Company plans to directly or indirectly follow up on its previous consultations with external advisers and further explore the possibility of a liquidation of the subject companies of the Qualified Opinion and/or a disposal of such interests through a possible tender exercise or other means, which, if materialised may involve a restructuring exercise of the Group. The Company will make disclosures in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571) as and when appropriate.

Action Plan

During the year of 2020, the Company has taken various actions with a view of resolving the qualified opinion for the year ended 31 December 2018 and 2019, including appointment of lawyers, various consultations and studies into a practicable and compliant way towards the disposal and/or liquidation of interests in Five Color Stone and/or WI Capital and WI Graphene. Looking forward into 2021 with a view of resolving the Qualified Opinion, the Company plans to dispose of the entities subject to Qualified Opinion and is currently in the process of initiation preparation of such disposals. The Company will engage and consult appropriate advisers in relation to the proper procedures that the Company should follow to facilitate a compliant and complete resolution of the Qualified Opinion through a disposal exercise, which may involve researching into the areas, advising on the relevant procedures and implications, negotiation with relevant counterparties, preparation of relevant documentations, regulatory approvals and external and internal approvals and consents.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee comprises two independent non-executive directors, namely Mr. Lum Pak Sum (“**Mr. Lum**”) and Mr. Duan Rihuang (“**Mr. Duan**”), and one non-executive director, namely Ms. Wang Lijiao (“**Ms. Wang**”). 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 2020.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as stipulated in Appendix 10 to the Listing Rules as its own code of conduct regarding Director’s securities transactions. Specific enquiry has been made to all the Directors, and the Directors have confirmed that they have complied with all relevant requirements as stipulated in the Model Code during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

CORPORATE GOVERNANCE CODE

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

1. The chairmen of the Board and the nomination committee were absent from the annual general meeting of the Company due to other important engagements at the relevant time and this deviates from code provision E.1.2 of the CG Code as set forth in Appendix 14 to the Listing Rules. The annual general meeting was chaired by a non-executive Director, and attended by the chairmen of the audit committee and remuneration committee and member(s) of the nomination committee. These persons were available to answer questions (if any) at the annual general meeting, which provides a channel of communication between the Company and its shareholders.
2. As Mr. Huang serves as both the chairman of the Board and the Chief Executive Officer with effect from 30 September 2019, such practice deviates from code provision A.2.1 of the CG Code as set forth in Appendix 14 of the Listing Rules. The Board believes that vesting the roles of both the chairman of the Board and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, one non-executive Director and three independent non-executive Directors (two independent non-executive Directors after Dr. Wong Yun Kuen's resignation with effect from 30 December 2020), the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.
3. Further information on the Company's corporate governance practices and its applications of the CG Code will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2020, which will be dispatched to the Company's shareholders in due course.

FAILURE TO SATISFY THE REQUIREMENTS ON INDEPENDENT NON-EXECUTIVE DIRECTORS UNDER THE LISTING RULES

Pursuant to Rules 3.10(1), and 3.25 of the Listing Rules, (i) the Board is required to have at least three independent non-executive Directors; and (ii) the Company must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

As disclosed in the announcement of the Company dated 30 December 2020, following Dr. Wong Yun Kuen's resignation as an independent non-executive Director and his cessation to be the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee with effect from 30 December 2020 (the "**Resignation**"), the Company has had (i) two independent non-executive Directors, which is below the minimum requirement under Rule 3.10(1) of the Listing Rules; and (ii) three remuneration committee members but the position of chairman is vacant, which does not comply with the requirements under Rule 3.25 of the Listing Rules.

The Company is in the process of identifying a suitable candidate to fill the abovementioned vacancies as soon as practicable, with the relevant appointment to be made within three months from the Resignation, in order to comply with the relevant requirements under the Listing Rules. The Company will make further announcement as and when appropriate.

DIVIDENDS

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.00063.cn. The 2020 annual report of the Company for the year ended 31 December 2020 will be dispatched to its shareholders and published on the above websites in due course.

By order of the Board of
China Asia Valley Group Limited
Huang Binghuang
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board consists of Mr. Huang Binghuang (Chairman and Chief Executive Officer), Mr. Zhao Juqun (Vice chairman) and Ms. Xia Ping as executive Directors; Ms. Wang Lijiao as a non-executive Director; and Mr. Lum Pak Sum and Mr. Duan Rihuang as independent non-executive Directors.