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## CHINA ASIA VALLEY GROUP LIMITED

### 中亞烯谷集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 63)**

## ANNOUNCEMENT OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “**Board**”) of China Asia Valley Group Limited (the “**Company**”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the six months ended 30 June 2020, are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Revenue</b>	<b>4</b>	<b>17,353</b>	<b>6,943</b>
Cost of sales		<u>(1,183)</u>	<u>(384)</u>
<b>Gross profit</b>		<b>16,170</b>	<b>6,559</b>
Other income	<b>5</b>	<b>184</b>	<b>587</b>
Operating and administrative expenses		<u>(13,810)</u>	<u>(10,769)</u>
<b>Profit/(loss) from operations</b>		<b>2,544</b>	<b>(3,623)</b>
Finance costs	<b>6</b>	<u>(1,740)</u>	<u>(2,903)</u>
<b>Profit/(loss) before taxation</b>		<b>804</b>	<b>(6,526)</b>
Income tax expenses	<b>7</b>	<u>(275)</u>	<u>–</u>
<b>Profit/(loss) for the period</b>	<b>8</b>	<u><b>529</b></u>	<u><b>(6,526)</b></u>

		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>367</u>	<u>(5)</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>367</u>	<u>(5)</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<u><u>896</u></u>	<u><u>(6,531)</u></u>
<b>Earnings/(loss) per share</b>	9		
Basic (HK cents per share)		<u><u>0.02</u></u>	<u><u>(0.23)</u></u>
Diluted (HK cents per share)		<u><u>0.02</u></u>	<u><u>(0.23)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	11	2,231	2,364
Right-of-use assets		1,773	2,304
Investment properties		392,000	392,000
Investment in associates	12	–	–
Pledged bank deposits		12,593	11,082
		<u>408,597</u>	<u>407,750</u>
<b>Current assets</b>			
Inventories	13	446	474
Trade and other receivables	14	7,456	6,622
Cash and cash equivalents		5,502	2,732
		<u>13,404</u>	<u>9,828</u>
<b>Current liabilities</b>			
Trade and other payables	15	85,177	81,282
Current tax liabilities		229	74
Lease liabilities		1,071	1,271
Bank borrowings	16	160,000	160,000
		<u>246,477</u>	<u>242,627</u>
<b>Net current liabilities</b>		<u>(233,073)</u>	<u>(232,799)</u>
<b>Total assets less current liabilities</b>		<u>175,524</u>	<u>174,951</u>
<b>Non-current liabilities</b>			
Lease liabilities		732	1,055
<b>NET ASSETS</b>		<u>174,792</u>	<u>173,896</u>

	<b>As at 30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 31 December 2020 <i>HK\$'000</i> (Audited)</b>
<i>Notes</i>		
<b>Capital and reserves</b>		
Share capital	<b>140,955</b>	140,955
Reserves	<b>33,837</b>	32,928
	<b>174,792</b>	173,883
Non-controlling interests	<b>–</b>	13
<b>TOTAL EQUITY</b>	<b>174,792</b>	173,896

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. COMPANY 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 Rooms 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 property investment, provision of horticultural services and sales of plants, and property management services.

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

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in those annual financial statements.

### Going Concern

The Group had net current liabilities of HK\$233,073,000 as at 30 June 2021. Notwithstanding this fact, the Directors consider that it is appropriate to prepare the condensed 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 Directors have reviewed the condensed consolidated statement of financial position of the Group as at 30 June 2021, 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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed 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 condensed consolidated financial statements.

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.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period 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 AND SEGMENT REPORTING**

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 three operating segments as follows:

Property investment – engages in leasing out residential properties

Horticultural services – provides horticultural services and sales of plants

Property management services – provides building management services

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

Segment profits or losses do not include unallocated administrative expenses, share of losses of associates, unallocated other income, 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Disaggregated by major products or services		
– Provision of property management services	<b>10,825</b>	–
– Provision of horticultural services and sales of plants	<b>3,316</b>	3,254
	<b>14,141</b>	3,254
Revenue from contracts with customers		
– Rental income	<b>3,212</b>	3,689
Total revenue	<b>17,353</b>	6,943
Disaggregated by geographical location of customers		
– Hong Kong	<b>3,316</b>	3,254
– The People's Republic of China (the “PRC”) except Hong Kong	<b>10,825</b>	–
	<b>14,141</b>	3,254

	<b>Timing of revenue recognition</b>					
	<b>Six months ended 30 June</b>					
	<b>2021</b>			<b>2020</b>		
	<b>At a point</b>	<b>Over time</b>	<b>Total</b>	<b>At a point</b>	<b>Over time</b>	<b>Total</b>
	<b>in time</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>in time</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>			<b>HK\$'000</b>		
Provision of property management services	–	<b>10,825</b>	<b>10,825</b>	–	–	–
Provision of horticultural services and sales of plants	<b>419</b>	<b>2,897</b>	<b>3,316</b>	197	3,057	3,254
Total	<b>419</b>	<b>13,722</b>	<b>14,141</b>	197	3,057	3,254

**(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 six months ended 30 June 2021 is set out below.

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

	<b>Property investment</b> <i>HK\$'000</i>	<b>Horticultural services</b> <i>HK\$'000</i>	<b>Property management services</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2021 (unaudited)</b>				
Revenue from customers	3,212	3,321	10,825	17,358
Intersegment revenue	—	(5)	—	(5)
Revenue from external customers	<u>3,212</u>	<u>3,316</u>	<u>10,825</u>	<u>17,353</u>
Segment profit	1,288	1,051	3,854	6,193
Depreciation of property, plant and equipment and right-of-use assets	601	48	18	667
Additions to segment non-current assets	44	180	12	236
<b>As at 30 June 2021 (unaudited)</b>				
Segment assets	<u>395,793</u>	<u>2,620</u>	<u>6,467</u>	<u>404,880</u>
Segment liabilities	<u>8,906</u>	<u>1,616</u>	<u>1,541</u>	<u>12,063</u>



	Property investment HK\$'000	Horticultural services HK\$'000	Property management services HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2020 (unaudited)</b>				
Revenue from customers	3,689	3,257	–	6,946
Intersegment revenue	–	(3)	–	(3)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenue from external customers	<u>3,689</u>	<u>3,254</u>	<u>–</u>	<u>6,943</u>
Segment (loss)/profit	(380)	1,320	–	940
Depreciation of property, plant and equipment and right-of-use assets	1,111	47	–	1,158
Additions to segment non-current assets	111	–	–	111
<b>As at 31 December 2020 (audited)</b>				
Segment assets	<u>396,448</u>	<u>2,333</u>	<u>2,792</u>	<u>401,573</u>
Segment liabilities	<u>10,606</u>	<u>1,695</u>	<u>1,392</u>	<u>13,693</u>

**Reconciliations of segment revenue and profit or loss**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>		
Total revenue of reportable segments	<b>17,358</b>	6,946
Elimination of intersegment revenue	<u>(5)</u>	<u>(3)</u>
Consolidated revenue	<u><b>17,353</b></u>	<u>6,943</u>
<b>Profit or loss</b>		
Total profit of reportable segments	<b>6,193</b>	940
Unallocated amounts:		
– Depreciation of property, plant and equipment	(1)	(1)
– Finance costs	(1,740)	(2,903)
– Other income	178	355
– Unallocated corporate expenses	<u>(4,101)</u>	<u>(4,917)</u>
Consolidated profit/(loss) before tax	<u><b>529</b></u>	<u>(6,526)</u>

## Reconciliations of segment assets and liabilities

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
<b>Assets</b>		
Total assets of reportable segments	404,880	401,573
Unallocated:		
– Pledged bank deposits	12,593	11,082
– Cash and cash equivalents	246	402
– Other assets	4,282	4,521
Consolidated total assets	<u>422,001</u>	<u>417,578</u>

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
<b>Liabilities</b>		
Total liabilities of reportable segments	12,063	13,693
Unallocated:		
– Bank borrowings	160,000	160,000
– Other liabilities	75,146	69,989
Consolidated total liabilities	<u>247,209</u>	<u>243,682</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	
	Six months ended 30 June 2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Hong Kong	6,528	6,943	394,566	394,991
Japan	–	–	1,274	1,508
The PRC except Hong Kong	10,825	–	164	169
Consolidated total	<u>17,353</u>	<u>6,943</u>	<u>396,004</u>	<u>396,668</u>

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Provision of property management services		
– Customer A	4,449	–
Rental income		
– Customer B	1,832	2,040

## 5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposits	5	43
Government subsidies	–	162
Share of building management fee income	178	166
Others	1	216
	184	587

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings	1,709	2,867
Lease interest	31	36
	1,740	2,903

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Overseas		
Provision for the period	<u>275</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as the Group has no assessable profits arising in Hong Kong during the periods.

Taxation for overseas subsidiaries for the six months ended 30 June 2021 was charged at the appropriate current rates of taxation ruling in the relevant countries. No provision for overseas tax has been made for the six months ended 30 June 2020 as the Group did not have any assessable profits arising outside Hong Kong during the period.

## 8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment and right-of-use assets	902	1,381
Directors' remuneration	561	822
Expenses related to short-term leases	85	85
Cost of inventories sold	<u>1,183</u>	<u>384</u>

## 9. 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>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit/(loss):</b>		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	<u>529</u>	<u>(6,526)</u>
<b>Number of shares:</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<u>2,819,102</u>	<u>2,819,102</u>

The basic and diluted earnings/(loss) per share for the six months ended 30 June 2021 and 2020 were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

## 10. INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of HK\$236,000 (the six months ended 30 June 2020: HK\$111,000).

## 12. INVESTMENT IN ASSOCIATES

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Unlisted investments:		
Share of net assets	12,211	12,211
Impairment loss	<u>(12,211)</u>	<u>(12,211)</u>
Carrying amount at period end	<u>—</u>	<u>—</u>

The investment in associates represented 28% equity share of Five Color Stone Technology Corporation.

### 13. INVENTORIES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Horticultural plants	<u>446</u>	<u>474</u>

### 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade receivables	3,252	2,577
Other prepayments	1,019	899
Rental and other deposits	1,285	1,864
Other tax receivables	–	463
Other receivables	<u>1,900</u>	<u>819</u>
	<u>7,456</u>	<u>6,622</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:

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
0 to 90 days	2,037	2,576
91 to 180 days	1,008	1
181 to 365 days	<u>207</u>	<u>–</u>
	<u>3,252</u>	<u>2,577</u>

## 15. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade payables	552	101
Other payables and accrued charges	21,439	23,148
Amount due to the ultimate holding company	45,000	40,000
Amount due to the immediate holding company	15,000	15,000
Amount due to a shareholder	3,000	3,000
Other tax payables	174	–
Receipt in advance	12	33
	<u>85,177</u>	<u>81,282</u>

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

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
0 to 90 days	318	101
91 to 180 days	133	–
181 to 365 days	101	–
	<u>552</u>	<u>101</u>

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

## 16. BANK BORROWINGS

	As at <b>30 June</b> <b>2021</b> <b>HK\$'000</b> <b>(unaudited)</b>	As at 31 December 2020 <b>HK\$'000</b> <b>(audited)</b>
Bank loans	<b>160,000</b>	160,000

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

	As at <b>30 June</b> <b>2021</b> <b>HK\$'000</b> <b>(unaudited)</b>	As at 31 December 2020 <b>HK\$'000</b> <b>(audited)</b>
Within 1 year	<b>160,000</b>	160,000

The carrying amounts of the Group's bank borrowings are denominated in Hong Kong dollars ("HKD").

The interest rate of the Group's bank borrowings as at 30 June 2021 was 2% per annum over one-month HIBOR or 0.5% per annum below HKD prime rate, whichever is lower (31 December 2020: 2% per annum over one-month HIBOR or 0.5% 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 (31 December 2020: HK\$160,000,000) are secured by (i) the investment properties of HK\$392,000,000 (31 December 2020: HK\$392,000,000), (ii) charged deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon, (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000, (iv) assignment 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 properties of the Group (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three (3) months).



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

During the six months ended in 30 June 2021 (the “**Period**”), the Group continued to engage in property investment, provision of horticultural services and sales of plants and property management services.

Revenue of the Group for the Period increased by HK\$10,410,000 or 149.9% from HK\$6,943,000 for the six months ended 30 June 2020 to HK\$17,353,000 for the Period mainly due to an increase in revenue from the property management services segment.

#### **Property management services**

In the second half of 2020, the Group expanded its property management business in the PRC and entered into service contracts with two China properties developers (i) Shenzhen Houting Yayuan Investment Co., Ltd.\* (深圳市后亭雅苑投資有限公司) with the properties managed located at Shajing East to Songsha Road South to Neway Factory West to Zhongting Road East Road, Bao'an District, Shenzhen\* (深圳市寶安區沙井東至松沙路南至紐威廠西至中亭路北至中亭東路); (ii) Shenzhen Hongxing Yayuan Property Co., Ltd.\* (深圳市紅星雅苑置業有限公司) with the properties manage located at Juncture of Songming Avenue and Baoan Avenue, Songgang Street, Bao'an District, Shenzhen\* (深圳市寶安區松崗街道松明大道與寶安大道交匯處). During the Period, the Group recorded a revenue of HK\$10,825,000 (the six months ended 30 June 2020: nil).

#### **Horticultural business**

The Group also operates horticultural services business under the brand name of “Cheung Kee Garden”, which has over forty years of history. Revenue from provision of horticultural services and plant sales revenue during the Period slightly increased by HK\$62,000 or 1.9% from HK\$3,254,000 for the six months ended 30 June 2020 to HK\$3,316,000 for the Period.

#### **Property investment**

Rental income derived from investment properties decreased by HK\$477,000 or 12.9% from HK\$3,689,000 for the six months ended 30 June 2020 to HK\$3,212,000 for the Period, mainly due to the decrease in the average rental income per apartment unit.

#### **Operating and administrative expenses**

Operating and administrative expenses increased by HK\$3,041,000 or 28.2% from HK\$10,769,000 for the six months ended 30 June 2020 to HK\$13,810,000 for the Period, mainly due to the increase in staff costs incurred in the property management services segment in the PRC.

## **Finance costs**

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs decreased by HK\$1,163,000 or 40.1% from HK\$2,903,000 for the six months ended 30 June 2020 to HK\$1,740,000 for the Period, due to a decrease in the average outstanding balances of bank loans and lease liabilities for the Period.

## **Profit for the Period**

For the six months ended 30 June 2021, the Group's profit and total comprehensive income attributable to the owners of the Company was HK\$896,000 as compared to a loss of HK\$6,531,000 for the six months ended 30 June 2020. The turning from loss to profit was primarily attributable to the profit in revenue from the property management services segment, which had been introduced by the Group since the second half of 2020, and the decrease in finance costs.

## **Bank Borrowings and Other Borrowings**

As at 30 June 2021, there were bank loans totalling HK\$160,000,000 outstanding (31 December 2020: HK\$160,000,000), and advances from the Company's shareholder, immediate holding company and ultimate holding company totalling HK\$63,000,000 (31 December 2020: HK\$58,000,000).

## **Net asset value**

The net asset value of the Group per share as at 30 June 2021 was HK\$0.06 (31 December 2020: HK\$0.06) based on the 2,819,102,084 (31 December 2020: 2,819,102,084) shares in issue.

## **Charge over the Group's assets**

The Group has pledged its investment properties as collateral for bank borrowings. As at 30 June 2021, the fair value of those pledged investment properties amounted to HK\$392,000,000 (31 December 2020: HK\$392,000,000).

Bank loans of HK\$160,000,000 (31 December 2020: HK\$160,000,000) are secured by (i) the investment properties of HK\$392,000,000 (31 December 2020: HK\$392,000,000), (ii) charged deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon, (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000, (iv) assignment 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 properties of the Group (which, if fallen below 60%, shall be raised by the borrower to 60% or above within three (3) months).

During the six months ended 30 June 2021, the Group was not aware of any violation of bank covenants attached to the interest-bearing bank loan that triggers breaches of the covenants such that the lenders may demand immediate repayment.

## **LIQUIDITY AND FINANCIAL RESOURCES**

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Company's latest annual report. The Group's monetary assets and liabilities are denominated and the Group conducts its business transactions principally in Hong Kong dollars.

As at 30 June 2021, there were bank loans in the sum of HK\$160,000,000 outstanding (31 December 2020: HK\$160,000,000). The Group's working capital requirements are funded with bank loans, shareholder's loan and cash generated from its ordinary course of business.

The gearing ratio of the Group as at 30 June 2021 was 128% (31 December 2020: 125%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **SIGNIFICANT INVESTMENT HELD**

The Group has no significant investment held as at 30 June 2021.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have other plans for material investments or capital assets as at 30 June 2021.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had a total 121 employees (31 December 2020: 144).

Employees (including directors) are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from the retirement benefits, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

## PROSPECT

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

The management of the Group (the “**Management**”) aims to increase the number of properties under the property management services in future to expand this segment. The Group 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 Management is considering certain property development projects in Southeast Asia and strategic cooperation with Shenzhen Xinzhou City Property Management Co., Ltd.\* (深圳市新洲城物業管理有限公司). If such projects materialise, the Management will inform the shareholders and potential investors of the business update on the Group's development.

## 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 six months ended 30 June 2021.

## 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 set out 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 the required standard as set out in the Model Code during the six months ended 30 June 2021.

\* For identification purposes only

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's code on corporate governance practices was adopted by reference to the provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. For the six months ended 30 June 2021, the Company has complied with all the Code provisions set out in the CG Code except the following:

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

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

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

## COMPLIANCE WITH THE LISTING RULES

### Non-compliances with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules

1. On 30 December 2020, Dr. Wong Yun Kuen resigned as an independent non-executive director of the Company ("**INED**") and ceased to be the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company as he would like to devote more time to his other business engagement. As a result, the Company failed to comply with (i) Rule 3.10(1) of the Listing Rules as the Company only had two INEDs, which fell below the minimum requirement of three INEDs; and (ii) Rule 3.25 of the Listing Rules as its remuneration committee of the Company was not chaired by an INED.
2. On 23 June 2021, upon the conclusion of the Company's annual general meeting, (i) the appointment of Mr. Wang Rongfang ("**Mr. Wang**") as an INED, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company had become effective; and (ii) Mr. Lum Pak Sum retired as an INED and ceased to act as the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company. Following the above, the Company re-complied with Rule 3.25 of the Listing Rules but remained unable to meet the requirements in Rule 3.10 and Rule 3.21 of the Listing Rules.

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

## **EVENTS AFTER THE END OF THE PERIOD**

There are no significant events occurred after the Period that may affect the Group.

## **REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE**

The audit committee of the Company is responsible for reviewing and monitoring the financial reporting process, risk management and internal control systems of the Company.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2021. The audit committee considered that the unaudited interim financial statements of the Group for the six months ended 30 June 2021 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement of the Company was published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.00063.cn](http://www.00063.cn)). The interim report of the Company for the six months ended 30 June 2021, containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

By order of the Board of  
**China Asia Valley Group Limited**  
**Huang Binghuang**  
*Chairman and Chief Executive Officer*

Hong Kong, 27 August 2021

*As at the date of this announcement, the Board consists of Mr. Huang Binghuang (Chairman and Chief Executive Officer) and Ms. Xia Ping as executive Directors; Ms. Wang Lijiao as a non-executive Director; and Mr. Tso Sze Wai, Mr. Wang Rongfang and Mr. Duan Rihuang as independent non-executive Directors.*