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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$39.9 million for the year ended 31 December 2022 (the “**Year**”), representing an increase of approximately HK\$2.1 million or 5.5% as compared to the revenue of approximately HK\$37.8 million for the year ended 31 December 2021.
- The Group recorded a net loss attributable to the owners of the Company of approximately HK\$47.0 million for the Year, representing an increase of approximately HK\$46.7 million as compared to the Group’s net loss of approximately HK\$0.3 million for the year ended 31 December 2021. The significant increase in the loss for the Year was mainly due to the fair value loss on our investment properties of approximately HK\$46.0 million charged for the Year.
- The Board does not recommend the payment of any dividend for the Year.

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 2022 (the “**Year**”), together with the comparative figures for the year ended 31 December 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Reclassified)
Revenue	4	39,875	37,810
Other income	5	1,010	504
Gain on disposal of subsidiaries		20	–
Gain on deconsolidation of subsidiaries		–	632
Staff costs		(18,503)	(17,186)
Depreciation and amortisation expenses		(1,513)	(1,827)
Other property management related expenses		(9,355)	(7,047)
Other operating and administrative expenses		(7,297)	(9,185)
Fair value loss on investment properties		(46,000)	–
		<hr/>	<hr/>
(Loss)/profit from operations		(41,763)	3,701
Finance costs	7	(4,854)	(3,428)
		<hr/>	<hr/>
(Loss)/profit before taxation		(46,617)	273
Income tax expense	8	(390)	(603)
		<hr/>	<hr/>
Loss for the year		(47,007)	(330)
		<hr/>	<hr/>
Other comprehensive (expense)/income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,032)	161
Exchange differences reclassified to profit or loss on deconsolidation of subsidiaries		–	5,501
		<hr/>	<hr/>
Other comprehensive (expense)/income for the year, net of tax		(1,032)	5,662
		<hr/>	<hr/>
Total comprehensive (expense)/income for the year		(48,039)	5,332
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i> (Reclassified)
Loss for the year attributable to:			
Owners of the Company		<u>(47,007)</u>	<u>(330)</u>
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		<u>(48,039)</u>	<u>5,332</u>
Loss per share	12		
Basic (<i>HK cent(s) per share</i>)		<u>(1.67)</u>	<u>(0.01)</u>
Diluted (<i>HK cent(s) per share</i>)		<u>(1.67)</u>	<u>(0.01)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		891	1,192
Right-of-use assets		364	1,240
Investment properties		346,000	392,000
Investment in associates	13	<u>–</u>	<u>–</u>
		347,255	394,432
Current assets			
Inventories		594	603
Trade and other receivables	14	6,273	9,359
Tax recoverable		32	–
Pledged bank deposits		14,891	13,248
Cash and cash equivalents		3,033	5,991
		<u>24,823</u>	<u>29,201</u>
Current liabilities			
Trade and other payables	15	15,187	14,854
Amounts due to related companies		65,357	68,000
Current tax liabilities		23	280
Lease liabilities		322	1,087
Bank borrowings	16	160,000	160,000
		<u>240,889</u>	<u>244,221</u>
Net current liabilities		<u>(216,066)</u>	<u>(215,020)</u>
Total assets less current liabilities		<u>131,189</u>	179,412
Non-current liability			
Lease liabilities		<u>–</u>	184
NET ASSETS		<u>131,189</u>	<u>179,228</u>
Capital and reserves			
Share capital		140,955	140,955
Reserves		(9,766)	38,273
TOTAL EQUITY		<u>131,189</u>	<u>179,228</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 investment properties holding, provision of horticultural services and sales of plants, provision of property management and other related services.

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 (the “**China Asia Graphene**”), a company incorporated in Hong Kong, is the immediate holding company; and Zhengbo International Corporation, a company incorporated in the British Virgin Islands, is the ultimate holding company, and controlled by Mr. Huang Binghuang (the “**Controlling Shareholder**”).

2. BASIS OF PREPARATION

Change of presentation of analysis of expenses

In the preparation of the consolidated financial statements for the year ended 31 December 2022, the Directors have reviewed the presentation of analysis of the Group’s expenses in the profit or loss section of the consolidated statement of profit or loss and other comprehensive income in view of the continuing execution of the Group’s goal of becoming a comprehensive properties, internet and finance service provider. The execution of this strategic goal has led to revenue from investment properties and provision of property management and other related services becoming the dominant proportion of the Group’s total revenue since the year ended 31 December 2021. As a result, the Directors consider that the presentation of analysis of expenses recognised in profit or loss using a classification based on the function of the expenses within the Group adopted by the Group in its previously issued consolidated statements of profit or loss and other comprehensive income should be changed as the analysis of the Group’s expenses using a classification based on the nature of the expenses would provide information that is reliable and more relevant to users of the consolidated financial statements of the Group given the significant change in the nature of the Group’s operations described herein.

Accordingly, the Group has determined to change the presentation of the analysis of its expenses in its consolidated statement of profit or loss and other comprehensive income with effect from the current financial year. The comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform to the current year’s presentation.

Going concern basis

The Group incurred a loss of approximately HK\$47,007,000 for the year ended 31 December 2022 and the Group had net current liabilities of approximately HK\$216,066,000 as at 31 December 2022. The Group’s bank borrowings with a repayment on demand clause amounted to HK\$160,000,000, which were due on 30 March 2023. As disclosed in note 16 of this announcement, the Company has renewed the bank loans of the same principal amount which shall be repaid by instalments and, out of which HK\$16,000,000 is due for repayment based on renewed scheduled repayment dates in the next twelve months from the date

of approval of these consolidated financial statements. 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 2022 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 31 December 2022, 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.

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; and
- (c) in addition to not to demand for repayment of current account balance due to the Controlling Shareholder and the related companies for at least twelve months. Loan agreements with facilities amount of HK\$23,000,000 and repayable on 31 March 2026 were obtained as at the date of approval of the consolidated financial statements and HK\$2,000,000 was drawn down on 27 March 2023.

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.

Deconsolidation and disposal of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. The Directors consider that the Company no longer had the power to govern the financial and operating policies of WI Capital Co., Limited and its subsidiary, WI Graphene Co., Limited (hereinafter collectively known as the "**WI Group**"), and the control over them was lost on 31 December 2021 due to the continuing uncooperative behavior of WI Group's directors. The Directors considered that the control over WI Group had been lost since 31 December 2021. The results, assets, liabilities and cash flows of WI Group were deconsolidated from the consolidated financial statements of the Group since 31 December 2021. In July 2022, all issued shares of the WI Capital Co., Limited held by the Company was disposed of at a consideration of HK\$10,000.

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.

- Amendments to HKFRS 3 Reference to the Conceptual Framework
- Amendments to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to HKFRSs 2018–2020

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. 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:

	Effective for accounting periods beginning on or after
• HKFRS 17, Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS 17)	1 January, 2023
• 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 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies	1 January, 2023
• Amendments to HKAS 8, Definition of Accounting Estimates	1 January, 2023
• Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January, 2023

4. REVENUE

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

	2022	2021
	HK\$'000	HK\$'000
Rental income from investment properties	5,764	5,889
Provision of property management and other related services	27,768	25,407
Provision of horticultural services and sales of plants	6,343	6,514
	<u>39,875</u>	<u>37,810</u>

5. OTHER INCOME

	2022	2021
	HK\$'000	HK\$'000
Bad debts recovered	112	–
Interest income on bank deposits	101	31
Government grant	377	–
Others	420	473
	<u>1,010</u>	<u>504</u>

6. 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 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 used in the preparation of the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, unallocated other income, unallocated other gains, 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, amounts due to related companies, unallocated corporate liabilities, and current tax liabilities.

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

(a) Disaggregation of revenue

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregated by major products or services		
– Provision of property management and other related services	27,768	25,407
– Provision of horticultural services and sales of plants	6,343	6,514
Revenue from contracts with customers	34,111	31,921
Rental income from investment properties	5,764	5,889
Total revenue	39,875	37,810

	Timing of revenue recognition					
	2022			2021		
	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Provision of property management and other related services	-	27,768	27,768	-	25,407	25,407
Provision of horticultural services and sales of plants	861	5,482	6,343	802	5,712	6,514
Total	861	33,250	34,111	802	31,119	31,921

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.

(b) **Segment revenues and results**

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

For the year ended 31 December 2022

	Property investment 2022 HK\$'000	Horticultural services and sale of plants 2022 HK\$'000	Property management and other related services 2022 HK\$'000	Total 2022 HK\$'000
Revenue from customers	5,764	6,358	27,768	39,890
Intersegment revenue	–	(15)	–	(15)
Segment revenue from external customers	<u>5,764</u>	<u>6,343</u>	<u>27,768</u>	<u>39,875</u>
Segment (loss)/profit	(43,855)	503	9,362	(33,990)
Other income				487
Unallocated depreciation of property, plant and equipment and right-of-use assets				(1,259)
Other operating and administrative expenses				(7,001)
Finance costs				<u>(4,854)</u>
Loss before taxation				<u><u>(46,617)</u></u>

For the year ended 31 December 2021

	Property investment 2021 HK\$'000	Horticultural services and sale of plants 2021 HK\$'000	Property management and other related services 2021 HK\$'000	Total 2021 HK\$'000
Revenue from customers	5,889	6,525	25,407	37,821
Intersegment revenue	–	(11)	–	(11)
Segment revenue from external customers	<u>5,889</u>	<u>6,514</u>	<u>25,407</u>	<u>37,810</u>
Segment profit	545	1,660	9,173	11,378
Other income				380
Unallocated depreciation of property, plant and equipment and right-of-use assets				(455)
Other operating and administrative expenses				(7,602)
Finance costs				<u>(3,428)</u>
Profit before taxation				<u><u>273</u></u>

(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 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Segment assets		
Property investment	347,126	394,855
Horticultural services and sale of plants	2,409	2,247
Property management and other related services	<u>6,416</u>	<u>12,645</u>
Total segment assets	355,951	409,747
Pledge bank deposits	14,891	13,248
Tax recoverable	32	–
Unallocated assets:		
Right-of-use assets	177	–
Cash and cash equivalents	173	113
Other assets	<u>854</u>	<u>525</u>
Consolidated total assets	<u><u>372,078</u></u>	<u><u>423,633</u></u>
Segment liabilities		
Property investment	6,601	7,778
Horticultural services and sale of plants	2,286	1,457
Property management and other related services	<u>3,104</u>	<u>2,619</u>
Total segment liabilities	11,991	11,854
Bank borrowings	160,000	160,000
Amounts due to related companies	65,357	68,000
Current tax liabilities	23	280
Unallocated liabilities:		
Other liabilities	3,334	4,271
Lease liabilities	<u>184</u>	<u>–</u>
Consolidated total liabilities	<u><u>240,889</u></u>	<u><u>244,405</u></u>

(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>
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	318	487	1,010
Additions to non-current assets	–	8	8	110	126

	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 2021

Amounts included in measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment and right-of-use assets	1,221	113	38	455	1,827
Other income	–	–	–	380	380
Write off of other receivables	100	–	–	10	110
Additions to non-current assets	449	180	12	–	641

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	12,107	12,403	347,197	394,285
The PRC except Hong Kong	27,768	25,407	58	147
Consolidated total	<u>39,875</u>	<u>37,810</u>	<u>347,255</u>	<u>394,432</u>

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

	2022 HK\$'000	2021 HK\$'000
Provision of property management and other related services – Customer A	<u>4,454</u>	<u>4,724</u>

7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank borrowings	4,828	3,373
Lease interest	26	55
	<u>4,854</u>	<u>3,428</u>

8. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current income tax – PRC Corporate Income Tax Provision for the year	<u>390</u>	<u>603</u>

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 2022 and 2021. Should provision for Hong Kong Profits Tax be required, it is calculated at 16.5% (2021: 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 2022 and 2021. 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 RMB	Applicable rates
Within 1 million	2.5%
Between 1 to 3 million	5%
Over 3 million	25%

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit before taxation	<u>(46,617)</u>	<u>273</u>
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	(7,692)	45
Tax effect of expenses that are not deductible	9,547	2,007
Tax effect of income that is not taxable	(19)	(113)
Tax effect of unused tax losses not recognised	376	448
Tax effect of utilisation of tax losses not previously recognised	(178)	(359)
Tax effect of temporary differences not recognised	(454)	(647)
Tax effect of tax concession	(1,969)	(1,558)
Tax effect of different tax rates of subsidiaries	<u>779</u>	<u>780</u>
	<u><u>390</u></u>	<u><u>603</u></u>

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	600	880
Cost of inventories sold or consumed	1,121	844
Depreciation of property, plant and equipment and right-of-use assets	1,513	1,827
Directors' remuneration	2,465	1,784
Expenses related to short-term leases	43	212
Gain on disposal of subsidiaries	20	–
Greening costs	90	1,257
Property management services fees	1,405	1,157
Building management, cleaning and utilities expenses	1,057	805
Maintenance costs	4,191	1,583
Legal and professional service fees	1,955	4,397
Allowance for inventories	–	29
Write off of other receivables	–	110
Loss on disposal of property, plant and equipment	50	–
Direct operating expenses incurred for investment properties that generated rental income during the year	2,862	2,534
Direct operating expenses incurred for investment properties that did not generate rental income during the year	<u>122</u>	<u>121</u>

10. EMPLOYEE BENEFITS EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs including directors' remunerations:		
Salaries and allowances	16,119	15,766
Retirement benefit scheme contributions	1,042	967
	<hr/>	<hr/>
Total employee benefits expense	17,161	16,733
Other employee welfare	1,342	453
	<hr/>	<hr/>
Staff costs	<u>18,503</u>	<u>17,186</u>

11. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

12. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>(47,007)</u>	<u>(330)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares:		
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 were the same as the Company had no dilutive potential ordinary shares in issue during the years ended 31 December 2022 and 2021.

13. INVESTMENT IN ASSOCIATES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unlisted investments:		
Share of net assets	–	12,211
Impairment loss	–	(12,211)
	<u>–</u>	<u>(12,211)</u>
Carrying amount at year end	<u>–</u>	<u>–</u>

The investment in associates represented 28% of the issued shares of Five Color Stone Technology Corporation held by Sky Heritage Holdings Limited, an indirect wholly owned subsidiary of the Company. On 12 January 2022, the Group entered into a sale and purchase agreement with a purchaser to dispose of the entire issued shares of Sky Heritage Holdings Limited at a consideration of HK\$10,000. After the completion of the disposal on 12 January 2022, the Group ceased to have the above investment in associates as at 31 December 2022.

14. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	4,730	7,966
Allowance for doubtful debts	(182)	(182)
	<u>4,548</u>	<u>7,784</u>
Other prepayments	512	415
Rental and other deposits	633	594
Other receivables	580	566
	<u>6,273</u>	<u>9,359</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	3,852	5,726
91 to 180 days	570	1,743
181 to 365 days	44	291
Over 365 days	82	24
	<u>4,548</u>	<u>7,784</u>

Approximately HK\$2,241,000 was subsequently settled after the end of the reporting period.

Reconciliation of allowance for trade receivables:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	182	182
Impairment during the year	—	—
At 31 December	<u>182</u>	<u>182</u>

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 2022						
Weighted average expected loss rate	—	—	—	—	68%	—
Receivable amount (<i>HK\$'000</i>)	387	3,484	548	45	266	4,730
Loss allowance (<i>HK\$'000</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(182)</u>	<u>(182)</u>
At 31 December 2021						
Weighted average expected loss rate	—	—	—	—	88%	—
Receivable amount (<i>HK\$'000</i>)	551	5,204	1,714	291	206	7,966
Loss allowance (<i>HK\$'000</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(182)</u>	<u>(182)</u>

15. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	1,287	1,226
Other payables and accrued charges	10,749	11,192
Amounts due to directors	2,281	1,727
Other tax payables	174	205
Contract liabilities	696	504
	<u>15,187</u>	<u>14,854</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	623	501
91 to 180 days	—	725
Over 365 days	664	—
	<u>1,287</u>	<u>1,226</u>

The amounts due to directors are unsecured, interest-free and repayable on demand.

16. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans	160,000	160,000

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	160,000	160,000

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

The interest rate of the Company's bank borrowings as at 31 December 2022 was 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower (2021: 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower).

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

Bank loans of HK\$160,000,000 (2021: HK\$160,000,000) are secured by (i) the investment properties of carrying amount of HK\$346,000,000 (2021: HK\$392,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (2021: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2021: 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) (2021: 60%).

On 14 March 2023, the Company has renewed and drawn the bank loans which should be fully repaid within 48 months from drawdown date by instalments.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

During the year ended 31 December 2022 (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 increased by HK\$2,065,000 or 5.5% from HK\$37,810,000 for the year ended 31 December 2021 to HK\$39,875,000 for the Year, mainly due to an increase in revenue from the property management and other related services segment.

Property management and other related services

Since the second half of 2020, the Group expanded its property management and other related business in the 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 managed 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\$27,768,000 (2021: HK\$25,407,000) 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 decreased by HK\$171,000 or 2.6% from HK\$6,514,000 for the year ended 31 December 2021 to HK\$6,343,000 for the Year.

Property investment

The Group has 30 units of investment properties in Hong Kong. Rental income derived from these investment properties decreased by HK\$125,000 or 2.1% from HK\$5,889,000 for the year ended 31 December 2021 to HK\$5,764,000 for the Year, mainly due to the decrease in the average rental income per apartment unit.

* for identification purposes only

Staff costs

Staff cost increased by HK\$1,317,000 or 7.7% from HK\$17,186,000 for the year ended 31 December 2021 to HK\$18,503,000 for the Year, mainly due to salary increment with effect from January 2022 and the increase in the number of headcounts for the Year.

Other property management related expenses

Other property management related expenses increased by HK\$2,308,000 or 32.8% from HK\$7,047,000 for the year ended 31 December 2021 to HK\$9,355,000 for the Year, mainly due to a one-off repair and maintenance expenditure of HK\$1,573,000 (2021: nil) in our service site in Shenzhen, the PRC., and an increase in the management fee charged by the service provider and maintenance costs.

Other operating and administrative expenses

Other operating and administrative expenses decreased by HK\$1,888,000 or 20.6% from HK\$9,185,000 for the year ended 31 December 2021 to HK\$7,297,000 for the Year, mainly due to a decrease 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\$1,426,000 or 41.6% from HK\$3,428,000 for the year ended 31 December 2021 to HK\$4,854,000 for the Year, due to an increase in the interest rates on the bank loans for the Year.

Loss for the Year

For the Year, the Group's loss attributable to the owners of the Company increased by HK\$46,677,000 from HK\$330,000 for the year ended 31 December 2021 to HK\$47,007,000 for the Year. The significant increase in the loss for the Year was mainly due to the fair value loss on our investment properties of approximately of HK\$46,000,000 charged for the current year (2021: nil).

Charge over the Group's assets

The Group has pledged its investment properties as collateral for bank borrowings. As at 31 December 2022, the fair value of those pledged investment properties amounted to HK\$346,000,000 (2021: HK\$392,000,000).

Bank loans of HK\$160,000,000 as at 31 December 2022 (2021: HK\$160,000,000) are secured by (i) the investment properties of HK\$346,000,000 (2021: HK\$392,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (2021: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2021: 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) (2021: 60%).

PROSPECT

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.

In 2022, the Group established two subsidiaries in Fujian and Guizhou, respectively. The Management believes that this geographical expansion will not only expand the company's business and enhance its returns, but also improve its market competitiveness. The Management considers that the geographical expansion of the property management services segment will enable the Group to expand its business portfolio, diversify its income stream, broaden its revenue base and potentially enhance its financial performance. The Management will inform the shareholders and potential investors of the business update on the Group's development in such geographical expansion.

Further, the Management has addressed the qualified audit opinion concerning the investment in Japan and Taiwan during the Year. As the audit issues of these two investments have been resolved, the Management will focus our resources on developing the business of the Group for the benefit of the Company.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2022, there was outstanding bank loans in the principal sum of HK\$160,000,000 (2021: HK\$160,000,000). The Group's working capital requirements in 2022 were funded with bank loans and advances from its holding company and related companies totalling HK\$65,357,000 (2021: HK\$68,000,000).

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:

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 recorded net current liabilities of approximately HK\$216,066,000 as at 31 December 2022 (2021: HK\$215,020,000).

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

EMPLOYEES

As at 31 December 2022, the Group had a total of 149 employees (2021: 117), including directors. Staff costs for the year ended 31 December 2022 amounted to approximately HK\$18,503,000 (2021: HK\$17,186,000).

MATERIAL ACQUISITIONS AND DISPOSALS

Reference is made to the Company's announcement dated 12 January 2022. On 12 January 2022, the Group entered into a sale and purchase agreement with a purchaser, pursuant to which the Group sold the entire issued shares of Sky Heritage Holdings Limited ("**Disposal Company**"), an indirect wholly-owned subsidiary of the Company, at a consideration of HK\$10,000 to an independent third party. As shown in the 2017 annual report of the Company, the Disposal Company held 28% of the issued shares in the Five Color Stone Technology Corporation, an investment holding company, which in turn held the entire equity interest in the Taiwan Xigu Applied Materials Limited* (台灣烯谷應材股份有限公司), an investment holding company, and 80% equity interest in Taiwan Mutron Applied Materials Limited (台灣美創應材股份有限公司), a company which was principally engaged in manufacturing and sale of graphene and graphene-related products, respectively. Completion took place immediately following the execution of the sale and purchase agreement.

References are made to the Company's announcements dated 6 July 2022 and 29 July 2022. On 6 July 2022, the Company entered into a sale and purchase agreement with a purchaser (an independent third party) to dispose of the entire issued shares of WI Capital Co. Limited ("**WI Capital**") at a consideration of HK\$10,000. Completion took place on 29 July 2022 and the Company ceased to hold any shares of the WI Capital. The Directors consider that there will be no material adverse impact to the financial position and business operations of the Company as a whole as the results of this disposal.

Except for the above, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF CHINA ASIA VALLEY GROUP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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 2022, 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

As stated in the auditor’s report issued by the auditors of the Group for the year ended 31 December 2021 (the “**Predecessor Auditors**”), the Predecessor Auditors were not provided with sufficient evidence regarding the Group’s investment in associates as a consequence of the Company could not obtain sufficient accounting books and records of the associates for audit purpose due to the continuing uncooperative behavior of the relevant directors of the associates. As such, the Predecessor Auditors had qualified their opinion as to, inter alia, the carrying amount of the investment in associates with carrying value of HK\$Nil as at 31 December 2021 and share of loss of HK\$Nil of investment in associates for the year ended 31 December 2021 were properly recognised.

As disclosed in note 33(a) to the consolidated financial statements, during the year ended 31 December 2022, the Group disposed of the entire issued and paid-up shares of Sky Heritage Holdings Limited, which directly held the investment in the associates. Due to the facts and circumstances as stated above, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Group's share of associates' result of HK\$Nil for the period from 1 January 2022 to the date of disposal and for the preceding year ended 31 December 2021, the gain or loss on disposal of the associates recognized in consolidated profit or loss for the year ended 31 December 2022 and the carrying amount of the investment in associates of HK\$Nil as at 31 December 2021 are materially misstated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

As stated in the auditor's report issued by the Predecessor Auditors for the year ended 31 December 2021, certain subsidiaries of the Company (being the WI Group) were deconsolidated from the Group since 31 December 2021 as a result of the situation that the Company could not exercise control over certain subsidiaries due to the continuing uncooperative behavior of those subsidiaries' directors. No sufficient evidence had been provided to the Predecessor Auditors to satisfy themselves as to whether the Company had lost control of those subsidiaries on 31 December 2021.

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

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

In accordance with the requirements of Hong Kong Financial Reporting Standard ("HKFRS") 10 "Consolidated Financial Statements", all subsidiaries controlled by the Company and its subsidiaries are required to be included in the consolidated financial statements of the Group. The facts and circumstances described above do not show that the Group had lost control over the WI Group with effect from 31 December 2021. Further, as disclosed in note 33(b) to the consolidated financial statements, the WI Group was disposed by the Group on 6 July 2022 with a gain on disposal of approximately HK\$13,000 recognised in consolidated profit or loss for the year ended 31 December 2022. Under HKFRS 10, the Company should have consolidated the WI Group in its consolidated financial statements up until the date of loss of control over these entities.

Due to the facts and circumstances as stated above, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) whether the non-consolidation of the WI Group with effect from 31 December 2021 in the preparation of the consolidated financial statements of the Group was in accordance with the requirements of HKFRS 10 referred to above and (ii) the completeness of the transactions of the WI Group, the validity and completeness of the operating and administrative expenses of the WI Group of approximately HK\$441,000 and the recording accuracy of the gain on deconsolidation of the WI Group of approximately HK\$632,000 included in the consolidated financial statements of the Group for the year ended 31 December 2021. There were no satisfactory alternative audit procedures we could perform to satisfy ourselves that the consolidated financial statements do not contain material misstatements in respect of these matters. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements were necessary.

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 years ended 31 December 2022 and 2021 and the consolidated financial position of the Group as at 31 December 2021, and related disclosures thereof in the consolidated financial statements.

Material Uncertainty Related to the Going Concern

We draw attention to note 2 to the consolidated financial statements which states that the Group incurred a loss of approximately HK\$47,007,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK\$216,066,000. These conditions, along with other matters as set out in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BOARD'S VIEW ON AUDITOR'S QUALIFIED OPINION

Extract from the annual report for the year ended 31 December 2021, the predecessor auditors of the Company (the "**Predecessor Auditors**"), had issued their qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2021. Details are set out on pages 34 to 36 of the annual report for the year ended 31 December 2021 and the main reasons leading to the qualified opinion for the year ended 31 December 2021 in relation to the Company's interests in Five Color Stone Technology Limited ("**Five Color Stone**") (Qualification 1) and WI Capital Co., Limited ("**WI Capital**") (Qualification 2):

Five Color Stone Technology Corporation (“Five Color Stone”) (Qualification 1)

Reference is made to the Company’s announcement released on 12 January 2022. On 12 January 2022, the Group entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Share, representing the entire issued shares of the Sky Heritage Holdings Limited, (“**Sky Heritage**”), at a consideration of HK\$10,000. As shown in the 2017 Annual Report of the Company, Sky Heritage held 28% of the issued shares in the Five Color Stone, an investment holding company, which in turn held the entire equity interest in the Taiwan Xigu, an investment holding company, and 80% equity interest in Taiwan Mutron, a company principally engages in manufacturing and sale of graphene and graphene-related products, respectively. Completion took place immediately following the execution of the Sale and Purchase Agreement. Upon the completion of the disposal of the shares of Sky Heritage, the Company no longer holds any interests in Five Color Stone, Taiwan Xigu and Taiwan Mutron.

WI Capital Co., Limited (Qualification 2)

Reference is made to the Company’s announcement released on 6 July 2022 and 29 July 2022. On 6 July 2022, the Company entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Share, representing the entire issued shares of WI Capital, at a consideration of HK\$10,000. As shown in the 2017 Annual Report of the Company, WI Capital held 80% of the issued shares in WI Graphene Co., Limited, a company which was principally engaged in manufacturing and sale of graphene and graphene-related products. Completion took place on 29 July 2022. Upon the completion of the disposal of all shares of WI Capital, the Company no longer holds any shares of WI Capital and WI Graphene.

Board’s view on auditor’s qualified opinion

For the current year, the Board is of the view that Qualification 1 and Qualification 2 will be removed in the financial year ending 31 December 2023 after having considered (i) the Company no longer holds any interest in those investments after disposal, (ii) except for the possible effects of the matters described in the Basis for Qualified Opinion section of the independent auditor’s report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2022 and (iii) the Current Auditors of the Company has issued a qualified opinion in the 2022 Annual Report merely for the possible effect of the matters described in the Basis for Qualified Opinion section of their report on the consolidated financial performance and consolidated cash flows for the years ended 31 December 2022 and 2021 and the consolidated financial position of the Group as at 31 December 2021 rather than qualifying the consolidated financial position of the Group as at 31 December 2022. On such basis, the Board is of the view that the Audit Modification will be merely on the comparability of the related current year’s figures and the corresponding figures in the financial year ending 31 December 2023.

The audit committee’s view on the audit qualification

Discussions have been conducted and meetings were held between the audit committee of the Company (the “**Audit Committee**”) and the Current Auditor to discuss the qualified opinion and to communicate the audit procedures during the audit in relation to those investments. The Audit Committee had critically reviewed the facts and circumstances leading to the conclusion of the Company’s management and fully understood the reasons leading to the qualified opinion and the fact that the Management of the Company had made efforts to obtain the information and documents requested by the Current Auditor. The members of the Audit Committee agreed with the qualified opinion and the basis of such qualified opinion and the management’s position concerning the qualified opinion.

The company’s action plans and timeline to address the qualified opinion

As stated above, the qualified opinion will be merely on the comparability of the related current year’s figures and the corresponding figures in the financial year ending 31 December 2023.

Auditor’s view and basis on the removal of the audit qualification

The Current Auditor of the Company indicated that the scope limitations in respect of the Group’s interests in Five Color Stone and WI Capital led to (i) the Predecessor Auditor issuing a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 (the “**Limitation**”) and (ii) the Current Auditor qualifying their opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 for the possible effects on the consolidated financial performance and consolidated cash flows for the years ended 31 December 2021 and 202 and the consolidated financial position of the Group as at 31 December 2021.

The reasons are as below:

1. The Company has already disposed of all its interests in Five Color Stone and WI Capital in the financial year ended 31 December 2022 (the “**Disposals**”). Upon completing the Disposals, the Group no longer held any interest in these two investees.
2. During the annual audit for the year ended 31 December 2022, the Current Auditors had discussed with the management of the Company as well as Audit Committee regarding the qualified opinion. The Directors of the Company are of the view that the limitation of scope was one-off and non-recurring incident which had possible effects only on the current year’s figures and comparative figures presented or disclosed in the consolidated financial statements of the Group for the year ended 31 December 2022 in relation to the Group’s interests in Five Color Stone and WI Capital, but had no possible effects on the closing balances of assets and liabilities, as at 31 December 2022. Hence the qualified opinion for the year ending 31 December 2023 would be on the comparability of the related current year’s figures and corresponding figures. The Current Auditor has confirmed that they concur with this view of the Audit Committee and the Board.

Therefore, the qualified opinion has no continuing effect in the future financial years of the Group.

PLEDGE OF ASSETS

As at 31 December 2022, investment properties and bank deposits with an aggregate value of not less than of approximately HK\$360,891,000 (2021: HK\$405,248,000) were pledged to the bank to secure bank loans granted to the Company.

EVENTS AFTER THE YEAR

There was no material event affecting the Group which has occurred after the Year that is required to be disclosed.

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 longrun, 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 Rihuong 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 2022.

SCOPE OF WORK OF FAN, CHAN & CO. 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 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, Fan, Chan & Co. Limited (“**Fan Chan**”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2022. The work performed by Fan Chan in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Fan Chan 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 securities transactions by Directors. 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 2022.

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.

CHANGES IN INFORMATION OF DIRECTOR

Ms. Wang Lijiao was redesignated from a non-executive director to an executive director with effective from 18 November 2022:

Upon recommendation of the remuneration committee of the Company and approval of the Board, emoluments of the director named below have changed since the last published annual report of the Company.

Details of the changes are set out below:

Directors	Details of Changes
Ms. Wang Lijiao (“ Ms. Wang ”)	The emoluments of Ms. Wang has been changed from HK\$250,000 per annum to HK\$600,000 per annum with effect from 18 November 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company’s code on corporate governance practices was adopted by reference to the provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. For the Year, the Company has complied with all the Code provisions set out in the CG Code except 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 during the Year. 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 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.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 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 2022 Annual Report of the Company for the year ended 31 December 2022 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 and Chief Executive Officer

Hong Kong, 30 March 2023

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