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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 2023

The board of directors (the “**Board**”) of China Asia Valley Group Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	5	20,007	20,800
Other income and gains	6	721	569
Staff costs		(10,685)	(8,446)
Depreciation and amortisation expenses		(742)	(736)
Property related expenses		(4,008)	(3,369)
Other operating and administrative expenses		(4,092)	(3,026)
Profit from operations		1,201	5,792
Finance costs	7	(3,848)	(1,769)
(Loss)/profit before taxation		(2,647)	4,023
Income tax expense	8	(150)	(1,893)
(Loss)/profit for the period	9	(2,797)	2,130

	Six months ended 30 June	
<i>Notes</i>	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive income/(expense)		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>188</u>	<u>(184)</u>
Other comprehensive income/(expense) for the period, net of tax	<u>188</u>	<u>(184)</u>
Total comprehensive (expense)/income for the period	<u><u>(2,609)</u></u>	<u><u>1,946</u></u>
(Loss)/profit for the period attributable to:		
Owners of the Company	(2,684)	2,130
Non-controlling interests	<u>(113)</u>	<u>–</u>
	<u><u>(2,797)</u></u>	<u><u>2,130</u></u>
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	(2,496)	1,946
Non-controlling interests	<u>(113)</u>	<u>–</u>
	<u><u>(2,609)</u></u>	<u><u>1,946</u></u>
(Loss)/earnings per share	<i>10</i>	
Basic (<i>HK cent(s) per share</i>)	<u><u>(0.10)</u></u>	<u><u>0.08</u></u>
Diluted (<i>HK cent(s) per share</i>)	<u><u>(0.10)</u></u>	<u><u>0.08</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	<i>Notes</i>	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>12</i>	952	891
Right-of-use assets		1,448	364
Investment properties	<i>4</i>	<u>346,000</u>	<u>346,000</u>
		<u>348,400</u>	<u>347,255</u>
Current assets			
Inventories	<i>13</i>	731	594
Trade and other receivables	<i>14</i>	8,471	6,273
Tax recoverable		64	32
Pledged bank deposits		11,413	14,891
Cash and cash equivalents		<u>5,720</u>	<u>3,033</u>
		<u>26,399</u>	<u>24,823</u>
Current liabilities			
Trade and other payables	<i>15</i>	15,215	15,187
Amounts due to related parties	<i>16</i>	69,357	65,357
Current tax liabilities		–	23
Lease liabilities		376	322
Bank borrowings	<i>17</i>	<u>160,000</u>	<u>160,000</u>
		<u>244,948</u>	<u>240,889</u>
Net current liabilities		<u>(218,549)</u>	<u>(216,066)</u>
Total assets less current liabilities		<u>129,851</u>	<u>131,189</u>
Non-current liability			
Lease liabilities		<u>1,026</u>	<u>–</u>
NET ASSETS		<u><u>128,825</u></u>	<u><u>131,189</u></u>

		As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Capital and reserves			
Share capital	18	140,955	140,955
Reserves		<u>(12,262)</u>	<u>(9,766)</u>
Equity attributable to owners of the Company		128,693	131,189
Non-controlling interests		<u>132</u>	<u>–</u>
TOTAL EQUITY		<u>128,825</u>	<u>131,189</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 and other related services.

As at the date of issuing these unaudited condensed consolidated financial statements for the Reporting Period (the “**Interim Financial Statements**”), in the opinion of the directors of the Company (the “**Directors**”), China Asia Group Inc., 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

The Interim 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**”).

The Interim Financial Statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, the Interim Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in those annual financial statements of the Company for the year ended 31 December 2022, except for the application of new and revised Hong Kong Financial Reporting Standards.

Going concern basis

The Group incurred a loss of approximately HK\$2,797,000 for the Reporting Period and the Group had net current liabilities of approximately HK\$218,549,000 as at 30 June 2023. 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 Interim Financial Statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligations as they fall due for at least the next twelve months from 30 June 2023 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 30 June 2023, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months from the reporting date and the Directors consider that the Group is financially viable to continue as a going concern.

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) The Controlling Shareholder has stated that he would not demand for repayment of current account balances due to the Controlling Shareholder and the related companies by March 2024.

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 Interim Financial Statements.

3. ADOPTION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are initially applied in the current period

In the Reporting Period, the Group has applied the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS 17)
- Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Material Judgements
- Amendments to HKAS 8 Accounting Policies, Change in Accounting Estimates and Errors
- Amendments to HKAS 12 Deferred Tax

The initial application of the amendments to HKFRSs in the Reporting Period has had no material effect on the amounts reported in the Interim Financial Statements and/or disclosures set out in the Interim Financial Statements.

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

(a) **Disclosures of level in fair value hierarchy:**

Description	Fair value measurement using:			Total <i>HK\$'000</i>
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	
At 30 June 2023				
(unaudited)				
Investment Properties				
– Residential units				
– Hong Kong	<u>–</u>	<u>–</u>	<u>346,000</u>	<u>346,000</u>
At 31 December 2022				
(audited)				
Investment Properties				
– Residential units				
– Hong Kong	<u>–</u>	<u>–</u>	<u>346,000</u>	<u>346,000</u>

(b) **Disclosures of valuation process used by the Group and valuation techniques and key inputs used in fair value measurements at 30 June 2023 and 31 December 2022:**

Level 3 fair value measurements

Description	Valuation technique	Key inputs	Fair Value	
			As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Residential units located in Hong Kong	Sales comparison approach	Comparable sales transaction	63,000	63,000
	Income approach	Capitalised net rental income	<u>283,000</u>	<u>283,000</u>
			<u>346,000</u>	<u>346,000</u>

During the Reporting Period, there were no changes in the valuation techniques used.

5. 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 Directors.

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 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 operating and administrative expenses, unallocated depreciation charges, unallocated other income and gains and finance costs. Segment assets do not include pledged bank deposits, tax recoverable, unallocated right-of-use assets, unallocated cash and cash equivalents and unallocated corporate assets. Segment liabilities do not include bank borrowings, amounts due to related parties, unallocated corporate liabilities, current tax liabilities and unallocated lease 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:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Disaggregated by major products or services		
– Provision of property management and other related services	13,804	14,825
– Provision of horticultural services and sales of plants	<u>3,147</u>	<u>3,107</u>
Revenue from contracts with customers	16,951	17,932
– Rental income from investment properties	<u>3,056</u>	<u>2,868</u>
Total revenue	<u>20,007</u>	<u>20,800</u>
Disaggregated by geographical location of customers		
– Hong Kong	3,147	3,107
– The People's Republic of China (the "PRC") except Hong Kong	<u>13,804</u>	<u>14,825</u>
	<u>16,951</u>	<u>17,932</u>

Timing of revenue recognition	Six months ended 30 June					
	2023			2022		
	At a point in time <i>HK\$'000</i> (unaudited)	Over time <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)	At a point in time <i>HK\$'000</i> (unaudited)	Over time <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Provision of property management and other related services	-	13,804	13,804	-	14,825	14,825
Provision of horticultural services and sales of plants	455	2,692	3,147	320	2,787	3,107
Total	455	16,496	16,951	320	17,612	17,932

(b) Segment revenues and results

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

For the six months ended 30 June 2023

	Property investment <i>HK\$'000</i> (unaudited)	Horticultural services and sale of plants <i>HK\$'000</i> (unaudited)	Property management and other related services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue from customers	3,056	3,153	13,804	20,013
Intersegment revenue	-	(6)	-	(6)
Segment revenue from external customers	3,056	3,147	13,804	20,007
Segment profit	1,477	1,075	4,725	7,277
Unallocated other income and gains				279
Unallocated depreciation of property, plant and equipment and right-of-use assets				(598)
Unallocated staff costs and other operating and administrative expenses				(5,757)
Finance costs				(3,848)
Loss before taxation				(2,647)

For the six months ended 30 June 2022

	Property investment <i>HK\$'000</i> (unaudited)	Horticultural services and sale of plants <i>HK\$'000</i> (unaudited)	Property management and other related services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue from customers	2,868	3,113	14,825	20,806
Intersegment revenue	<u>—</u>	<u>(6)</u>	<u>—</u>	<u>(6)</u>
Segment revenue from external customers	<u>2,868</u>	<u>3,107</u>	<u>14,825</u>	<u>20,800</u>
Segment profit	1,015	823	7,366	9,204
Unallocated other income and gains				446
Unallocated depreciation of property, plant and equipment and right-of- use assets				(628)
Unallocated staff costs and other operating and administrative expenses				(3,230)
Finance costs				<u>(1,769)</u>
Profit before taxation				<u><u>4,023</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 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Segment assets		
Property investment	347,058	347,126
Horticultural services and sale of plants	2,658	2,409
Property management and other related services	10,185	6,416
	<hr/>	<hr/>
Total segment assets	359,901	355,951
Pledged bank deposits	11,413	14,891
Tax recoverable	64	32
Unallocated assets:		
Right-of-use assets	1,327	177
Cash and cash equivalents	192	173
Other assets	1,902	854
	<hr/>	<hr/>
Consolidated total assets	374,799	372,078
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Property investment	6,749	6,601
Horticultural services and sale of plants	2,093	2,286
Property management and other related services	2,873	3,104
	<hr/>	<hr/>
Total segment liabilities	11,715	11,991
Bank borrowings	160,000	160,000
Amounts due to related parties	69,357	65,357
Current tax liabilities	–	23
Unallocated liabilities:		
Other liabilities	3,569	3,334
Lease liabilities	1,333	184
	<hr/>	<hr/>
Consolidated total liabilities	245,974	240,889
	<hr/> <hr/>	<hr/> <hr/>

(d) Other segment information

	Property investment <i>HK\$'000</i> (unaudited)	Horticultural services and sale of plants <i>HK\$'000</i> (unaudited)	Property management and other related services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
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For the six months ended 30 June 2023

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

Depreciation of property, plant and equipment and right-of-use assets	–	132	12	598	742
Profit on disposal of property, plant and equipment	–	–	–	320	320
Other income and gains	40	73	9	279	401
Additions to non-current assets	<u>249</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>249</u>

	Property investment <i>HK\$'000</i> (unaudited)	Horticultural services and sale of plants <i>HK\$'000</i> (unaudited)	Property management and other related services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
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For the six months ended 30 June 2022

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

Depreciation of property, plant and equipment and right-of-use assets	–	88	20	628	736
Other income and gains	–	72	51	446	569
Additions to non-current assets	<u>–</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>26</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:

	<u>Revenue</u>		<u>Non-current assets</u>	
	Six months ended 30 June 2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Hong Kong	6,203	5,975	348,356	347,197
The PRC except Hong Kong	13,804	14,825	44	58
Consolidated total	<u>20,007</u>	<u>20,800</u>	<u>348,400</u>	<u>347,255</u>

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

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Provision of property management and other related services – Customer A	<u>2,126</u>	<u>2,410</u>

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposits	88	41
Government subsidies	–	104
Gain on disposal of property, plant and equipment	320	–
Gain on disposal of interest in a subsidiary	–	10
Others	313	414
	<u>721</u>	<u>569</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings	3,827	1,753
Lease interest	21	16
	<u>3,848</u>	<u>1,769</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax – PRC Corporate Income Tax		
Provision for the period	<u>150</u>	<u>1,893</u>

No provision for Hong Kong Profits Tax has been made since the Company and its subsidiaries either had sufficient tax losses brought forward to set off against assessable profits or did not generate any assessable profits for the Reporting Period and the six months ended 30 June 2022. Should provision for Hong Kong Profits Tax be required, it is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for these periods, except for one subsidiary of the Group which is a qualifying corporation under the two-tier Profits 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 Reporting Period and the six months ended 30 June 2022. The applicable rates which may be lower than the standard rate of corporate tax at 25% represent the tax concessionary rates available to the small and medium-size enterprises in the PRC and are shown as follows:

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

9. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Cost of inventories sold or consumed	434	357
Depreciation of property, plant and equipment and right-of-use assets	742	736
Directors' remuneration	1,390	1,088
Expenses related to short-term leases	–	127
Greening costs	9	441
Property management services fees	890	1,508
Building management, cleaning and utilities expenses	670	476
Maintenance costs	1,172	944
Legal and professional service fees	1,790	1,240
Allowance for inventories	104	–
Gain on disposal of interest in a subsidiary	–	(10)
Gain on disposal of property, plant and equipment	(320)	–

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share attributable to owners of the Company	(2,684)	2,130
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	2,819,102	2,819,102

The basic and diluted (loss)/earnings per share for the Reporting Period and six months ended 30 June 2022 were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

11. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period (the six months ended 30 June 2022: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired items of property, plant and equipment at a cost of HK\$249,000 and disposed of an item of property, plant and equipment at the zero carrying amount with the proceeds of HK\$320,000 (the six months ended 30 June 2022: addition of a cost of HK\$26,000).

13. INVENTORIES

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Horticultural plants and accessories	<u>731</u>	<u>594</u>

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Trade receivables	6,093	4,730
Allowance for doubtful debts	<u>(182)</u>	<u>(182)</u>
	5,911	4,548
Other prepayments	331	512
Rental and other deposits	602	633
Other receivables	<u>1,627</u>	<u>580</u>
	<u>8,471</u>	<u>6,273</u>

The credit term is generally 30 days for horticultural services and sales of plants. 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 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
0 to 90 days	4,300	3,852
91 to 180 days	1,203	570
181 to 365 days	408	44
Over 365 days	—	82
	<u>5,911</u>	<u>4,548</u>

15. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables	600	1,287
Other payables and accrued charges	10,605	10,749
Amounts due to directors	2,297	2,281
Other tax payables	358	174
Contract liabilities	1,355	696
	<u>15,215</u>	<u>15,187</u>

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
0 to 90 days	65	623
Over 365 days	535	664
	600	1,287

16. AMOUNTS DUE TO RELATED PARTIES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Amount due to the controlling shareholder (<i>Note 1</i>)	4,000	–
Amount due to the former ultimate holding company (<i>Note 2</i>)	65,357	65,357
	69,357	65,357

Note 1: Amount due to the Controlling Shareholder is unsecured, interest-free and repayable on demand.

Note 2: Amount due to the former ultimate holding company was classified as amount due to the ultimate holding company as at 31 December 2022, which is unsecured, interest-free and repayable on demand.

17. BANK BORROWINGS

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Bank loans	<u>160,000</u>	<u>160,000</u>

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

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 year	16,000	160,000
In the second to fifth years	<u>144,000</u>	<u>–</u>
	<u>160,000</u>	<u>160,000</u>

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

The interest rate of the Group's bank borrowings as at 30 June 2023 and 31 December 2022 was 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.

As at 30 June 2023, bank loans of HK\$160,000,000 (31 December 2022: HK\$160,000,000) are secured by (i) the investment properties of HK\$346,000,000 (31 December 2022: HK\$346,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (31 December 2022: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (31 December 2022: HK\$7,000,000), and (iv) assignment of rental income from investment properties to a designated bank account which is charged to the bank, with an undertaking to maintain 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 (31 December 2022: 60%)).

18. SHARE CAPITAL

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Authorised:		
20,000,000,000 ordinary shares of HK\$0.05 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
2,819,102,084 ordinary shares of HK\$0.05 each	<u>140,955</u>	<u>140,955</u>

19. CAPITAL COMMITMENTS

Reference is made to the Company's announcement dated 6 June 2023. On 6 June 2023, Shenzhen Zhongya Industry Operation Co., Ltd.* (深圳市中雅產業運營有限公司), an indirectly wholly-owned subsidiary of the Company, entered into a conditional tenancy agreement with Shenzhen Qiangang China Asia Electronic City Group Co., Ltd.* (深圳市壘崗中亞電子城集團有限責任公司) for the sub-lease of an aggregate area of 350,855 square-metres in the Silicon Valley Industrial Park for a total rent of approximately RMB1,413.4 million (equivalent to approximately HK\$1,590.1 million), subject to the fulfillment of condition precedents, including but not limited to independent shareholders approval requirements under the Listing Rules. The deposit for the rental of the premises under the tenancy agreement in the amount of RMB282.6 million (equivalent to approximately HK\$318.0 million) is expected to be financed by the net proceeds raised through the proposed issue of the convertible bond in the principal amount of HK\$353,360,000 at an interest rate of 3.6% per annum to be issued by the Company.

Except for the above, the Group did not have any material capital commitments as at 30 June 2023 (31 December 2022: Nil).

* *for identification purposes only*

20. LEASE COMMITMENTS

The Group as lessor

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within one year	3,588	3,189
In the second to fifth year inclusive	<u>111</u>	<u>419</u>
	<u>3,699</u>	<u>3,608</u>

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 30 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Reporting Period, 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 for the Reporting Period decreased by HK\$793,000 or 3.8% from HK\$20,800,000 for the six months ended 30 June 2022 to HK\$20,007,000 for the Reporting Period, mainly due to a decrease in revenue from the property management and other related services segment.

Property management and other related services

The Group provides property management and other related services 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 under management 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); and (ii) Shenzhen Hongxing Yayuan Property Co., Ltd.* (深圳市紅星雅苑置業有限公司) with the properties under management 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). Revenue from property management and other related services decreased by HK\$1,021,000 or 6.9% from HK\$14,825,000 for the six months ended 30 June 2022 to HK\$13,804,000 for the Reporting Period, mainly due to the decrease in the areas under management.

Horticultural services and sales of plants

The Group also operates horticultural services and sales of plants segment under the brand name of "Cheung Kee Garden" for over forty years. Revenue from the provision of horticultural services and sales of plants slightly increased by HK\$40,000 or 1.3% from HK\$3,107,000 for the six months ended 30 June 2022 to HK\$3,147,000 for the Reporting Period.

Property investment

Rental income derived from investment properties increased by HK\$188,000 or 6.6% from HK\$2,868,000 for the six months ended 30 June 2022 to HK\$3,056,000 for the Reporting Period, mainly due to an increase in the average rental income per apartment unit.

Staff costs

Staff costs increased by HK\$2,239,000 or 26.5% from HK\$8,446,000 for the six months ended 30 June 2022 to HK\$10,685,000 for the Reporting Period, mainly due to salary increment and an increase in the number of our headcounts.

* *for identification purposes only*

Property related expenses

Property related expenses increased by HK\$639,000 or 19.0% from HK\$3,369,000 for the six months ended 30 June 2022 to HK\$4,008,000 for the Reporting Period, mainly due to an increase in the management fee charged by the service provider and maintenance costs.

Other operating and administrative expenses

Other operating and administrative expenses increased by HK\$1,066,000 or 35.2% from HK\$3,026,000 for the six months ended 30 June 2022 to HK\$4,092,000 for the Reporting Period, mainly due to an increase in the legal and professional fees incurred.

Finance costs

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs increased by HK\$2,079,000 or 117.5% from HK\$1,769,000 for the six months ended 30 June 2022 to HK\$3,848,000 for the Reporting Period, mainly due to an increase in the interest rates on the bank loans for the Period.

Loss for the period

The Group's loss for the Reporting Period was HK\$2,797,000 as compared to the profit of HK\$2,130,000 for the six months ended 30 June 2022. The turning from profit to loss was primarily due to an increase in staff costs, legal and professional fees and finance costs on bank loans.

Bank and other borrowings

As at 30 June 2023, there were outstanding bank loans totalling HK\$160,000,000 (31 December 2022: HK\$160,000,000), and advances from the former ultimate holding company and the Controlling Shareholder of the Company totalling HK\$69,357,000 (31 December 2022: HK\$65,357,000).

Net asset value

The net asset value of the Group per share as at 30 June 2023 was HK\$0.05 (31 December 2022: HK\$0.05) based on the 2,819,102,084 (31 December 2022: 2,819,102,084) ordinary shares of the Company in issue.

PLEDGE OF ASSETS

As at 30 June 2023, investment properties and bank deposits with an aggregate value of not less than of approximately HK\$357,413,000 (31 December 2022: HK\$360,891,000) were pledged to the bank to secure bank loans granted to the Company.

As at 30 June 2023, bank loans of HK\$160,000,000 (31 December 2022: HK\$160,000,000) are secured by (i) the investment properties of HK\$346,000,000 (31 December 2022: HK\$346,000,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (31 December 2022: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (31 December 2022: HK\$7,000,000), and (iv) assignment of rental income from investment properties to a designated bank account which is charged to the bank, with an undertaking to maintain 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 (31 December 2022: 60%)).

During the Reporting Period, the Board was not aware of any violation of bank covenants attached to the interest-bearing bank loan that would trigger 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 ("HK\$").

As at 30 June 2023, there were outstanding bank loans in the sum of HK\$160,000,000 (31 December 2022: HK\$160,000,000). The Group's working capital requirements are funded with bank loans, advance from its Controlling Shareholder and former ultimate holding company and cash generated from its ordinary course of business.

The gearing ratio of the Group as at 30 June 2023 was 179% (31 December 2022: 172%). 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, lease liabilities and amounts due from its Controlling Shareholder and former ultimate holding company.

Several portions of the Group's assets, liabilities and operations are denominated in non-HK\$ which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Group will closely monitor its foreign exchange exposure and will consider hedging of significant currency exposure should the need arise.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period (the six months ended 30 June 2022: Nil).

SIGNIFICANT INVESTMENT HELD

The Group has no significant investment held as at 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Reference is made to the Company's announcement dated 6 June 2023. On 6 June 2023, Shenzhen Zhongya Industry Operation Co., Ltd.* (深圳市中雅產業運營有限公司), an indirectly wholly-owned subsidiary of the Company, entered into a conditional tenancy agreement with Shenzhen Qiangang China Asia Electronic City Group Co., Ltd.* (深圳市壘崗中亞電子城集團有限責任公司) for the sub-lease of an aggregate area of 350,855 square-metres in the Silicon Valley Industrial Park for a total rent of approximately RMB1,413.4 million (equivalent to approximately HK\$1,590.1 million), subject to the fulfillment of condition precedents, including but not limited to independent shareholders approval requirements under the Listing Rules. The deposit for the rental of the premises under the tenancy agreement in the amount of RMB282.6 million (equivalent to approximately HK\$318.0 million) is expected to be financed by the net proceeds raised through the proposed issue of the convertible bond in the principal amount of HK\$353,360,000 at an interest rate of 3.6% per annum to be issued by the Company.

Except for the above, the Group did not have other plans for material investments or capital assets as at 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total 182 employees (31 December 2022: 149).

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

The sentiment of economic activities has changed after lifting of the pandemic restrictions in China. The Board has reassessed recent market conditions and determined that the Company should adopt a more proactive approach in its operation strategies as the markets gained momentum along with robust recovery in the Chinese economy. Nevertheless, the Group will continue to adopt a cautious and proactive attitude in seeking potential business opportunities in the market. In addition, the Group's investment strategy will explore more diversified investment opportunities with various industries. The Group is aiming at implementing an efficient and compliant internal control, pragmatically deploying its investment strategy, and strengthen its financial situation in order to bring favourable return to the shareholders of the Company.

Further, the management has addressed the qualified audit opinion concerning the investment in Japan and Taiwan in 2022. As the audit issues of these two investments have been resolved, the management will focus its 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.

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 Reporting Period.

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 Reporting Period.

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 Reporting Period, the Company has complied with all the Code provisions set out in the CG Code, except for the following:

Deviation from Code Provision C.2.1 of the CG Code

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chief executive officer was performed by Mr. Huang Binghuang, who was also the chairman of the Company during the Reporting 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 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.

EVENTS AFTER THE END OF THE PERIOD

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

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises Mr. Tso Sze Wai (the Chairman), Mr. Wang Rongfang and Mr. Duan Rihuang, and is responsible for reviewing and monitoring the financial reporting process, risk management and internal control systems of the Group.

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 this results announcement and the interim report. The Audit Committee considers that this results announcement for the Reporting Period 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

This interim results announcement of the Company is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.00063.cn). The interim report of the Company for the Reporting Period, 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, 30 August 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. Wang Rongfang and Mr. Duan Rihuang as independent non-executive Directors.