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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 2022

The board of directors (the “**Board**”) of China Asia Valley Group Limited (the “**Company**”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2021, are as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>20,800</b>	17,353
Other income	5	<b>569</b>	184
Staff costs		<b>(8,446)</b>	(7,527)
Depreciation and amortisation expenses		<b>(736)</b>	(902)
Property related expenses		<b>(3,369)</b>	(2,687)
Other operating and administrative expenses		<b>(3,026)</b>	(3,877)
<b>Profit from operations</b>		<b>5,792</b>	2,544
Finance costs	6	<b>(1,769)</b>	(1,740)
Profit before taxation		<b>4,023</b>	804
Income tax expenses	7	<b>(1,893)</b>	(275)
<b>Profit for the period</b>	8	<b>2,130</b>	529

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Unaudited)	(Unaudited)
<b>Other comprehensive (expenses)/income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(184)</u>	<u>367</u>
<b>Other comprehensive (expenses)/income for the period, net of tax</b>		<u>(184)</u>	<u>367</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<u><b>1,946</b></u>	<u><b>896</b></u>
<b>Earnings per share</b>			
Basic ( <i>HK cents per share</i> )	9	<u><b>0.08</b></u>	<u>0.02</u>
Diluted ( <i>HK cents per share</i> )		<u><b>0.08</b></u>	<u>0.02</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2022*

	<i>Notes</i>	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2021 HK\$'000 (Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>1,028</b>	1,192
Right-of-use assets		<b>961</b>	1,240
Investment properties		<b>392,000</b>	392,000
Investment in associates	12	<b>–</b>	–
		<b>393,989</b>	394,432
<b>Current assets</b>			
Inventories	13	<b>663</b>	603
Trade and other receivables	14	<b>8,327</b>	9,359
Pledged bank deposits		<b>11,351</b>	13,248
Cash and cash equivalents		<b>10,807</b>	5,991
		<b>31,148</b>	29,201
<b>Current liabilities</b>			
Trade and other payables	15	<b>81,532</b>	82,854
Current tax liabilities		<b>1,495</b>	280
Lease liabilities		<b>867</b>	1,087
Bank borrowings	16	<b>160,000</b>	160,000
		<b>243,894</b>	244,221
<b>Net current liabilities</b>		<b>(212,746)</b>	(215,020)
<b>Total assets less current liabilities</b>		<b>181,243</b>	179,412
<b>Non-current liabilities</b>			
Lease liabilities		<b>69</b>	184
<b>NET ASSETS</b>		<b>181,174</b>	179,228

	<b>As at 30 June 2022</b>	As at 31 December 2021
<i>Notes</i>	<b><i>HK\$'000</i></b> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Capital and reserves</b>		
Share capital	<b>140,955</b>	140,955
Reserves	<b>40,219</b>	38,273
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>181,174</b>	179,228
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

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

## 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the Reporting Period (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, these condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in those annual financial statements for the year ended 31 December 2021, except for the application of new and revised Hong Kong Financial Reporting Standards.

### **Change of presentation of analysis of expenses**

In the preparation of the interim financial information for the Reporting Period, the Directors of the Company 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 condensed consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current period’s presentation.

### Going concern basis

The Group had net current liabilities of HK\$212,746,000 as at 30 June 2022. Notwithstanding this fact, the Directors consider that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Directors have reviewed the condensed consolidated statement of financial position of the Group as at 30 June 2022, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financially viable to continue as a going concern.

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

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

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

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

#### Amendments to HKFRSs that are initially applied in the current year

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:

Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, COVID-19 Related Rent Concession beyond 30 June 2021	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to HKFRSs, <i>Annual Improvements to HKFRSs 2018–2020</i>	1 January 2022

The initial application of the amendments to HKFRSs in the Reporting Period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

#### 4. REVENUE AND SEGMENT REPORTING

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

The Group has three operating segments as follows:

Property investment – engages in leasing out residential properties

Horticultural services – provides horticultural services and sales of plants

Property management 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 administrative expenses, unallocated depreciation charges, unallocated other income, finance costs and income tax expense. Segment assets do not include pledged bank deposits, unallocated property, plant and equipment, right-of-use assets and unallocated corporate assets. Segment liabilities do not include bank borrowings, 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 service and geographical location of customers is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Disaggregated by major products or services		
– Provision of property management and other related services	<b>14,825</b>	10,825
– Provision of horticultural services and sales of plants	<b>3,107</b>	3,316
	<b>17,932</b>	14,141
Revenue from contracts with customers		
– Rental income from investment properties located in Hong Kong	<b>2,868</b>	3,212
Total revenue	<b>20,800</b>	17,353
Disaggregated by geographical location of customers		
– Hong Kong	<b>3,107</b>	3,316
– The People's Republic of China (the "PRC") except Hong Kong	<b>14,825</b>	10,825
	<b>17,932</b>	14,141

Timing of revenue recognition	Six months ended 30 June					
	2022			2021		
	At a point in time <i>HK\$'000</i>	Over time <i>HK\$'000</i>	Total <i>HK\$'000</i>	At a point in time <i>HK\$'000</i>	Over time <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision of property management and other related services	–	14,825	14,825	–	10,825	10,825
Provision of horticultural services and sales of plants	320	2,787	3,107	419	2,897	3,316
Total	<u>320</u>	<u>17,612</u>	<u>17,932</u>	<u>419</u>	<u>13,722</u>	<u>14,141</u>

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

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

	Property investment <i>HK\$'000</i>	Horticultural services <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2022 (unaudited)</b>				
Revenue from customers	2,868	3,113	14,825	20,806
Intersegment revenue	–	(6)	–	(6)
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
Depreciation of property, plant and equipment and right-of-use assets	–	88	20	108
Additions to segment non-current assets	–	8	9	17
<b>As at 30 June 2022 (unaudited)</b>				
Segment assets	<u>393,694</u>	<u>2,127</u>	<u>16,228</u>	<u>412,049</u>
Segment liabilities	<u>6,680</u>	<u>1,617</u>	<u>5,940</u>	<u>14,237</u>

	Property investment <i>HK\$'000</i>	Horticultural services <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2021</b>				
<b>(unaudited)</b>				
Revenue from customers	3,212	3,321	10,825	17,358
Intersegment revenue	–	(5)	–	(5)
Revenue from external customers	<u>3,212</u>	<u>3,316</u>	<u>10,825</u>	<u>17,353</u>
Segment profit	1,288	1,051	3,854	6,193
Depreciation of property, plant and equipment and right-of-use assets	601	48	18	667
Additions to segment non-current assets	44	180	12	236
<b>As at 31 December 2021</b>				
<b>(audited)</b>				
Segment assets	<u>394,855</u>	<u>2,247</u>	<u>12,645</u>	<u>409,747</u>
Segment liabilities	<u>7,778</u>	<u>1,457</u>	<u>2,619</u>	<u>11,854</u>

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>		
Total revenue of reportable segments	<b>20,806</b>	17,358
Elimination of intersegment revenue	<b>(6)</b>	(5)
Consolidated revenue	<u><b>20,800</b></u>	<u>17,353</u>
<b>Profit or loss</b>		
Total profit of reportable segments	<b>9,204</b>	6,193
Unallocated amounts:		
– Depreciation of property, plant and equipment and right-of-use assets	<b>(628)</b>	(235)
– Finance costs	<b>(1,769)</b>	(1,740)
– Other income	<b>453</b>	178
– Unallocated corporate expenses	<b>(3,237)</b>	(3,592)
Consolidated profit before tax	<u><b>4,023</b></u>	<u>804</u>

*Reconciliations of segment assets and liabilities*

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
<b>Assets</b>		
Total assets of reportable segments	412,049	409,747
Unallocated:		
– Pledged bank deposits	11,351	13,248
– Property, plant and equipment	565	–
– Right-of-use assets	709	–
– Cash and cash equivalents	142	113
– Other assets	321	525
	<u>425,137</u>	<u>423,633</u>
Consolidated total assets	<u>425,137</u>	<u>423,633</u>

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
<b>Liabilities</b>		
Total liabilities of reportable segments	14,237	11,854
Unallocated:		
– Bank borrowings	160,000	160,000
– Other liabilities	67,499	72,271
– Current tax liabilities	1,495	280
– Lease liabilities	732	–
	<u>243,963</u>	<u>244,405</u>
Consolidated total liabilities	<u>243,963</u>	<u>244,405</u>

Geographical information:

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

	Revenue		Non-current assets	
	Six months ended 30 June 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Hong Kong	5,975	6,528	393,859	394,285
The PRC except Hong Kong	14,825	10,825	130	147
	<u>20,800</u>	<u>17,353</u>	<u>393,989</u>	<u>394,432</u>
Consolidated total	<u>20,800</u>	<u>17,353</u>	<u>393,989</u>	<u>394,432</u>

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Provision of property management services		
– Customer A	–	4,449
– Customer B	<b>2,410</b>	–
Rental income		
– Customer C	–	1,832
	<u>–</u>	<u>1,832</u>

## 5. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income on bank deposits	<b>41</b>	5
Government subsidies	<b>104</b>	–
Gain on disposal of interests in a subsidiary	<b>10*</b>	–
Others	<b>414</b>	179
	<u>414</u>	<u>179</u>
	<b>569</b>	184
	<u>569</u>	<u>184</u>

\* Gain on disposal of interests in a subsidiary is arisen from the disposal of the Group's entire interests in Sky Heritage Holdings Limited, an indirect wholly-owned subsidiary of the Company at a consideration of HK\$10,000 to an independent third party.

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on bank borrowings	<b>1,753</b>	1,709
Lease interest	<b>16</b>	31
	<u>1,753</u>	<u>1,709</u>
	<b>1,769</b>	1,740
	<u>1,769</u>	<u>1,740</u>

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current income tax – PRC Corporate Income Tax Provision for the period	<b>1,893</b>	<b>275</b>

No provision for Hong Kong Profits Tax has been made for the Reporting Period and six months ended 30 June 2021 as the Group has no assessable profits arising in Hong Kong for the periods. PRC Corporate Income Tax has been provided at a rate of 25% on the estimated assessable profits for the Reporting Period and six months ended 30 June 2021.

## 8. PROFIT FOR THE PERIOD

The Group's profit for the Reporting Period is stated after charging the following:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment and right-of-use assets	<b>736</b>	902
Directors' remuneration	<b>1,088</b>	561
Greening costs	<b>441</b>	790
Property management services fees	<b>1,508</b>	798
Building management, cleaning and utilities expenses	<b>476</b>	592
Maintenance costs	<b>944</b>	507
Professional service fees	<b>1,240</b>	1,538
Expenses related to short-term leases	<b>127</b>	85
Cost of inventories sold	<b>357</b>	393

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Profit for the purpose of calculating basic and diluted earnings per share</b>		
Profit attributable to owners of the Company	<u>2,130</u>	<u>529</u>
<b>Number of shares:</b>	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>2,819,102</u>	<u>2,819,102</u>

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

## 10. INTERIM DIVIDENDS

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired items of property, plant and equipment at a cost of HK\$26,000 (the six months ended 30 June 2021: HK\$236,000).

## 12. INVESTMENT IN ASSOCIATES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Unlisted investments:		
Share of net assets	–	12,211
Impairment loss	–	<u>(12,211)</u>
Carrying amount at period 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 the 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, the Group ceased to have the above investment in associates as at 30 June 2022.

### 13. INVENTORIES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Horticultural plants and accessories	<u>663</u>	<u>603</u>

### 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Trade receivable	4,790	7,966
Allowance for doubtful debts	<u>(182)</u>	<u>(182)</u>
	4,608	7,784
Other prepayments	2,047	415
Rental and other deposits	597	594
Other receivables	<u>1,075</u>	<u>566</u>
	<u>8,327</u>	<u>9,359</u>

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

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

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
0 to 90 days	3,132	5,726
91 to 180 days	893	1,743
181 to 365 days	536	291
Over 365 days	<u>47</u>	<u>24</u>
	<u>4,608</u>	<u>7,784</u>

## 15. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Trade payables	1,117	1,226
Other payables and accrued charges	11,439	11,192
Amount due to directors	2,247	1,727
Amount due to the immediate holding company	8,925	15,000
Amount due to the ultimate holding company	52,500	50,000
Amount due to a shareholder of immediate holding company	3,000	3,000
Other tax payables	387	205
Contract liabilities	1,917	504
	<u>81,532</u>	<u>82,854</u>

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

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
0 to 90 days	424	501
91 to 180 days	–	725
181 to 365 days	693	–
	<u>1,117</u>	<u>1,226</u>

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

## 16. BANK BORROWINGS

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
Bank loans	<b>160,000</b>	160,000

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

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
Within 1 year	<b>160,000</b>	160,000

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 2022 and 31 December 2021 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 2022, bank loans of HK\$160,000,000 (31 December 2021: HK\$160,000,000) are secured by (i) the investment properties of HK\$392,000,000 (31 December 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 (31 December 2021: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (31 December 2021: 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 2021: 60%)).

## 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 services.

Revenue of the Group for the Reporting Period increased by HK\$3,447,000 or 19.9% from HK\$17,353,000 for the six months ended 30 June 2021 to HK\$20,800,000 for the Reporting Period mainly due to an increase in revenue from the property management services segment.

#### Property management services

The Group provides property management 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); (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 services increased by HK\$4,000,000 or 37.0% from HK\$10,825,000 for the six months ended 30 June 2021 to HK\$14,825,000 for the Reporting Period, mainly due to the increase in the areas under management.

#### Horticultural business

The Group also operates horticultural business under the brand name of "Cheung Kee Garden", which has over forty years of history. Revenue from provision of horticultural services and plant sales revenue slightly decreased by HK\$209,000 or 6.3% from HK\$3,316,000 for the six months ended 30 June 2021 to HK\$3,107,000 for the Reporting Period.

#### Property investment

Rental income derived from investment properties decreased by HK\$344,000 or 10.7% from HK\$3,212,000 for the six months ended 30 June 2021 to HK\$2,868,000 for the Reporting Period, mainly due to the decrease in the average rental income per apartment unit.

#### Staff costs

Staff costs increased by HK\$919,000 or 12.2% from HK\$7,527,000 for the six months ended 30 June 2021 to HK\$8,446,000 for the Reporting Period, mainly due to salary increment with effect from January 2022.

\* for identification purposes only

### **Property related expenses**

Property related expenses increased by HK\$682,000 or 25.4% from HK\$2,687,000 for the six months ended 30 June 2021 to HK\$3,369,000 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 decreased by HK\$851,000 or 21.9% from HK\$3,877,000 for the six months ended 30 June 2021 to HK\$3,026,000 for the Reporting Period, mainly due to a decrease in the professional service fees and other expenses.

### **Finance costs**

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs slightly increased by HK\$29,000 or 1.7% from HK\$1,740,000 for the six months ended 30 June 2021 to HK\$1,769,000 for the Reporting Period.

### **Profit for the period**

The Group's profit for the period increased by HK\$1,601,000 or 302.6% from HK\$529,000 for the six months ended 30 June 2021 to HK\$2,130,000 for the Reporting Period, mainly due to an increase in profit from property management services segment.

### **Bank and other borrowings**

As at 30 June 2022, there were outstanding bank loans totalling HK\$160,000,000 (31 December 2021: HK\$160,000,000), and advances from a shareholder of the immediate holding company, the immediate holding company and the ultimate holding company of the Company totalling HK\$64,425,000 (31 December 2021: HK\$68,000,000).

### **Net asset value**

The net asset value of the Group per share as at 30 June 2022 was HK\$0.06 (31 December 2021: HK\$0.06) based on the 2,819,102,084 (31 December 2021: 2,819,102,084) shares in issue.

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

The Group has pledged its investment properties as collateral for bank borrowings. As at 30 June 2022, the fair value of those pledged investment properties amounted to HK\$392,000,000 (31 December 2021: HK\$392,000,000).

As at 30 June 2022, bank loans of HK\$160,000,000 (31 December 2021: HK\$160,000,000) are secured by (i) the investment properties of HK\$392,000,000 (31 December 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 (31 December 2021: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (31 December 2021: 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 2021: 60%)).

During the Reporting Period, the Group 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 2022, there were outstanding bank loans in the sum of HK\$160,000,000 (31 December 2021: HK\$160,000,000). The Group's working capital requirements are funded with bank loans, shareholder's loan and cash generated from its ordinary course of business.

The gearing ratio of the Group as at 30 June 2022 was 124% (31 December 2021: 127%). 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.

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

## **SIGNIFICANT INVESTMENT HELD**

The Group has no significant investment held as at 30 June 2022.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Reference is made to the Company's announcement released on 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 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.

Except for the above, 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**

The Group did not have other plans for material investments or capital assets as at 30 June 2022.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group had a total 121 employees (31 December 2021: 117).

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.

\* *for identification purposes only*

## PROSPECT

Looking ahead, the Group continues to develop and enhance the property management services and other related segment which contributes the Group's revenue and profit in future.

Since 2020, the Group has expanded its property management and other related business in Mainland China, and the revenue of this business segment increased from HK\$10.8 million in the six months ended 30 June 2021 to HK\$14.8 million in the Reporting Period. The Management aims to explore the expansion of this segment by increasing the number of properties under the property management services and geographic expansion in future. In the digital era, the Management also seeks to develop the "Valley Property" service brand, continuously optimising and upgrading its property service system, cultivating traditional property services, and taking advantage of the "Internet+" era to build a community platform that meets customers' needs for quality living with customer value at the core.

The Management further advises that on 18 November 2021, the Group and Shenzhen Tanggang China Asia Electronic City Group Co., Ltd.\* (深圳市堂崗中亞電子城集團有限責任公司) ("STCAEC") entered into a memorandum of understanding (the "MOU"). Pursuant to the MOU, there will be potential leasing cooperation (the "**Potential Cooperation**") among the parties with respect to the sustainable development of a property held by STCAEC and located in Bao'an District, Shenzhen, Mainland China. The Management believes that this strategic cooperation will not only expand the Group's business and enhance its returns, but also improve its market competitiveness. The Management also believes that strategic cooperation can actively expand business layout, improve business operation capacity, and allow the Group to quickly tap into the market opportunities in Shenzhen and the broader Mainland China. The Management further believes that the Potential Cooperation is in line with the Group's strategy of business consolidation, and is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Further, the Management has addressed the qualified audit opinion concerning the investment in Japan and Taiwan. The Group disposed of its Taiwan and Japan investments in January 2022 and July 2022, respectively. If the audit issues of these two investments can be resolved, the Management will focus our resources to develop the business of the Group for the benefit of the Company and stakeholders as a whole. 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 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**

References are made to the Company’s announcements dated 6 July 2022 and 29 July 2022. In 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 at the consideration of HK\$10,000. 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, 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), Ms. Wang Lijiao, 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 the unaudited interim financial statements of the Group for the Reporting Period. The Audit Committee considered that the unaudited interim financial statements of the Group 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**

The interim results announcement of the Company was published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.00063.cn](http://www.00063.cn)). The interim report of the Company for the 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.

## **APPRECIATIONS**

On behalf of the Board, I would like to extend our sincere thanks to the shareholders, business partners, and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the Reporting Period.

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

Hong Kong, 29 August 2022

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