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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)

BUSINESS UPDATE

FORMATION OF JOINT VENTURE COMPANY FOR

DEVELOPMENT OF NEW BUSINESS ACTIVITY

This announcement is made by China Asia Valley Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to keep its shareholders and potential investors abreast of the business development of the Company.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company and potential investors that Shenzhen Zhongbang Intelligent Community Technology Co., Ltd.* (深圳市中邦智慧社區科技有限公司) (“**Zhongbang**”) (an indirect wholly-owned subsidiary of the Company) and Guizhou Baikong Traffic Safety Facilities Co., Ltd.* (貴州百控交通安全設施有限公司) (“**Baikong**”) jointly established a joint venture company, namely Guizhou Zhonghan Construction Engineering Co., Ltd.* (貴州中瀚建築工程有限公司) (the “**JV Company**”) in the People’s Republic of China (“**PRC**”). As at the date of this announcement, the equity interest in the JV Company is held as to 51% by Zhongbang and 49% by Baikong, respectively.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Baikong and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

As the Group holds 51% of the equity interest in the JV Company, the JV Company is a subsidiary of the Group, and the financial results, assets and liabilities of the JV Company are consolidated into the financial statements of the Group.

The Group intends to commence and develop a new business activity of construction (the “**New Business Activity**”) through the JV Company. It is envisaged that the New Business Activity would generally involve the provision of construction services by the Group to customers. The New Business Activity is expected to be revenue in nature and in the ordinary and usual course of business of the Group.

With a view to gaining understanding in market demand and customer needs, the Group has been in discussion with Baikong and prospective customers, during which the Company had observed a demand in the New Business Activity.

The Group intends to develop the New Business Activity via a new business division with designated personnel with relevant and appropriate experience and expertise in the construction industry. The business team is expected to be responsible for the daily operations of the New Business Activity and will be led by the senior management of the Group. As disclosed in the announcement of the Company dated 2 September 2022, the Group had appointed Mr. Wang Yan as the executive president of the Company who possess more than 20 years of experience in property related investment and operations in the PRC. It is expected that Mr. Wang Yan will be primarily responsible for the development of the New Business Activity.

As at the date of this announcement, the Company is principally engaged in the business activity of investment holding and the Group is principally engaged in property investment, provision of horticultural services and sales of plants, and property management and other related services. As disclosed in the 2021 annual report of the Company published on 25 April 2022, property related services are ushering in a period of strategic opportunities for improved industry standardization and marketization, expansion of service boundaries, industrialized development of value-added services, and digital transformation. The Group will further enhance the 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. Taking into consideration of the business structure and strategy of the Group, the Board has been exploring other business opportunities in order to diversify the Group’s business and to identify new business areas with growth and development potential. The Board considers that the New Business Activity will enable the Group to expand its business portfolio, diversify its income stream, broaden its revenue base and potentially enhance its financial performance. Accordingly, the Board is of the view that the formation of the JV Company and the commencement and development of the New Business Activity will be in the interest of the Company and its shareholders as a whole.

It is envisaged that further capital injection(s) may be made to the JV Company for the development of the New Business Activity, which is expected to be financed by the internal resources of the Company or other available financing arrangements

(including financial assistance from the controlling shareholder of the Company).

As at the date of this announcement, no binding agreement have been entered into nor commitments have been made by the Group in respect of the formation of the JV Company, the New Business Activity and any further capital injection into the JV Company. The Company will comply with the applicable requirements under Chapter 14 and 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to future commitments in respect of the JV Company and make further announcement(s) as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 25 October 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.

** for identification purposes only*