

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$38.3 million for the year ended 31 December 2023 (the “**Year**”), representing a decrease of approximately HK\$1.6 million or 4.0% as compared to the revenue of approximately HK\$39.9 million for the year ended 31 December 2022.
- The Group recorded a net profit of approximately HK\$2.2 million for the Year, as compared to the Group’s net loss of approximately HK\$47.0 million for the year ended 31 December 2022. The turnaround from loss to profit for the Year was mainly due to the fair value gain on our investment properties of approximately HK\$2.0 million adjusted for the Year, as compared to a fair value loss of approximately HK\$46.0 million for the year ended 31 December 2022.
- The Board does not recommend the payment of a final 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 2023 (the “**Year**”), together with the comparative figures for the year ended 31 December 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	38,267	39,875
Other income and gains, net	5	7,831	1,010
Gain on disposal of subsidiaries		–	20
Staff costs		(20,922)	(18,503)
Depreciation and amortisation expenses		(1,485)	(1,513)
Impairment loss on trade receivables		(81)	–
Other property management related expenses		(7,095)	(9,355)
Other operating and administrative expenses		(7,809)	(7,297)
Fair value gain/(loss) on investment properties		2,000	(46,000)
Profit/(loss) from operations		10,706	(41,763)
Finance costs	7	(8,289)	(4,854)
Profit/(loss) before taxation		2,417	(46,617)
Income tax expense	8	(235)	(390)
Profit/(loss) for the year	9	2,182	(47,007)
Other comprehensive expense			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(545)	(1,032)
Other comprehensive expense for the year, net of tax		(545)	(1,032)
Total comprehensive income/(expense) for the year		1,637	(48,039)

	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year attributable to:		
Owners of the Company	2,509	(47,007)
Non-controlling interests	(327)	–
	<u>2,182</u>	<u>(47,007)</u>
Total comprehensive income/(expense)		
for the year attributable to:		
Owners of the Company	1,963	(48,039)
Non-controlling interests	(326)	–
	<u>1,637</u>	<u>(48,039)</u>
Earnings/(loss) per share		
Basic and diluted (<i>HK cent(s) per share</i>)	0.09	(1.67)

12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		867	891
Right-of-use assets		914	364
Investment properties		348,000	346,000
Goodwill		200	–
		<u>349,981</u>	<u>347,255</u>
Current assets			
Inventories		1,089	594
Trade and other receivables	13	181,086	6,273
Tax recoverable		–	32
Pledged bank deposits		15,332	14,891
Cash and cash equivalents		51,131	3,033
		<u>248,638</u>	<u>24,823</u>
Current liabilities			
Trade and other payables	14	227,917	12,906
Amounts due to related parties		–	67,638
Current tax liabilities		11	23
Lease liabilities		873	322
Bank borrowings	15	160,000	160,000
		<u>388,801</u>	<u>240,889</u>
Net current liabilities		<u>(140,163)</u>	<u>(216,066)</u>
Total assets less current liabilities		<u>209,818</u>	<u>131,189</u>
Non-current liabilities			
Amount due to a related party		76,774	–
NET ASSETS		<u><u>133,044</u></u>	<u><u>131,189</u></u>
Capital and reserves			
Share capital		140,955	140,955
Reserves		(7,803)	(9,766)
Equity attributable to owners of the Company		<u>133,152</u>	131,189
Non-controlling interests		(108)	–
TOTAL EQUITY		<u><u>133,044</u></u>	<u><u>131,189</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 Group Inc., a company incorporated in British Virgin Islands with limited liability, is the immediate holding company and the ultimate holding company, and controlled by Mr. Huang Binghuang (the “**Controlling Shareholder**”).

2. BASIS OF PREPARATION

Going concern basis

The Group had net current liabilities of approximately HK\$140,163,000 as at 31 December 2023. The Group’s bank borrowings with a repayment on demand clause amounted to HK\$160,000,000 as at 31 December 2023 (the “**Borrowings**”). 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 2023 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 31 December 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;
- (c) the Controlling Shareholder has stated that he would not demand for repayment of balances due to him amounting to approximately HK\$76.8 million for at least twelve months; and
- (d) the Group has obtained a letter from the bank after the end of the reporting period, in which it is stated that the bank does not expect the borrowings would be demanded or cancelled in the next twelve months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the Directors do not consider that it is probable that the any event of default will occur in the next twelve months from the date of the letter.

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 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.

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.

- HKFRS 17, Insurance Contracts (including the October 2020 and February 2022 Amendments to HKFRS 17)
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS12, International Tax Reform – Pillar Two Model Rules

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. Except for the amendments to HKFRSs mentioned below, 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
• 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 7 and HKFRS 7, Supplier Finance Arrangements	1 January 2024
• Amendments to HKAS 21, Lack of Exchangeability	1 January 2025

Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The Group will adopt this approach and is still in the process of assessing the impact of the LSP obligation due to the Amendment Ordinance.

4. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Rental income from investment properties	6,398	5,764
Provision of property management and other related services	25,365	27,768
Provision of horticultural services and sales of plants	6,504	6,343
	<u>38,267</u>	<u>39,875</u>

5. OTHER INCOME AND GAINS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bad debts recovered	–	112
Interest income on bank deposits	174	101
Gain/(loss) on disposal of property, plant and equipment	320	(50)
Government grant	–	377
Reversal of over provision of staff salaries	6,745	–
Others	592	470
	<u>7,831</u>	<u>1,010</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 properties are the three operating segments described above, which one 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 and unallocated corporate assets. Segment liabilities do not include bank borrowings, amounts due to related parties, 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Disaggregated by major products or services		
– Provision of property management and other related services	25,365	27,768
– Provision of horticultural services and sales of plants	6,504	6,343
	<hr/>	<hr/>
Revenue from contracts with customers	31,869	34,111
Rental income from investment properties	6,398	5,764
	<hr/>	<hr/>
Total revenue	<u>38,267</u>	<u>39,875</u>

	Timing of revenue recognition					
	2023			2022		
	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	-	25,365	25,365	-	27,768	27,768
Provision of horticultural services and sales of plants	1,029	5,475	6,504	861	5,482	6,343
Total	<u>1,029</u>	<u>30,840</u>	<u>31,869</u>	<u>861</u>	<u>33,250</u>	<u>34,111</u>

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 2023

	Property investment 2023 HK\$'000	Horticultural services and sale of plants 2023 HK\$'000	Property management and other related services 2023 HK\$'000	Total 2023 HK\$'000
Revenue from customers	6,398	6,515	25,841	38,754
Intersegment revenue	–	(11)	(476)	(487)
Segment revenue from external customers	<u>6,398</u>	<u>6,504</u>	<u>25,365</u>	<u>38,267</u>
Segment profit	10,682	3,128	7,453	21,263
Other income and gains, net				875
Unallocated depreciation of property, plant and equipment and right-of-use assets				(1,198)
Other operating and administrative expenses				(10,234)
Finance costs				<u>(8,289)</u>
Profit before tax				<u><u>2,417</u></u>

For the year ended 31 December 2022

	Property investment 2022 <i>HK\$'000</i>	Horticultural services and sale of plants 2022 <i>HK\$'000</i>	Property management and other related services 2022 <i>HK\$'000</i>	Total 2022 <i>HK\$'000</i>
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 and gains, net				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 tax				<u><u>(46,617)</u></u>

(c) **Segment assets and liabilities**

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment assets		
Property investment	349,191	347,126
Horticultural services and sale of plants	1,913	2,409
Property management and other related services	12,104	6,416
Total segment assets	363,208	355,951
Pledge bank deposits	15,332	14,891
Tax recoverable	–	32
Unallocated assets:		
Right-of-use assets	859	177
Cash and cash equivalents	42,704	173
Other assets	176,516	854
Consolidated total assets	<u>598,619</u>	<u>372,078</u>
Segment liabilities		
Property investment	1,370	6,601
Horticultural services and sale of plants	1,145	2,286
Property management and other related services	2,492	3,104
Total segment liabilities	5,007	11,991
Bank borrowings	160,000	160,000
Amounts due to related parties	76,774	67,638
Current tax liabilities	11	23
Unallocated liabilities:		
Other liabilities	222,910	1,053
Lease liabilities	873	184
Consolidated total liabilities	<u>465,575</u>	<u>240,889</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 2023					
Amounts included in measure of segment profit or loss or segment assets:					
Depreciation of property, plant and equipment and right-of-use assets	-	264	21	1,200	1,485
Fair value gain of investment properties	2,000	-	-	-	2,000
Gain on disposal of property, plant and equipment	-	-	-	320	320
Other income	5,926	997	33	875	7,831
(Reversal of)/impairment loss on trade receivables	(155)	-	236	-	81
Additions to non-current assets	-	-	-	372	372

	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

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	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	12,953	12,107	349,938	347,197
The PRC except Hong Kong	25,314	27,768	43	58
Consolidated total	<u>38,267</u>	<u>39,875</u>	<u>349,981</u>	<u>347,255</u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of property management and other related services – Customer A (<i>note</i>)	<u>3,652</u>	<u>4,454</u>

Note: The revenue from customer A is below 10% to the Group's revenue for the year ended 31 December 2023, but its over 10% to the Group's revenue for the year ended 31 December 2022.

7. FINANCE COSTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	8,239	4,828
Interest on lease liabilities	<u>50</u>	<u>26</u>
	<u>8,289</u>	<u>4,854</u>

8. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax — PRC Corporate Income Tax Provision for the year	<u>235</u>	<u>390</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 2023 and 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 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 2023 and 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 in Renminbi	Applicable rates
Within 1 million	2.5%
Between 1 to 3 million	5%
Over 3 million	25%

9. PROFIT/(LOSS) FOR THE YEAR

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	550	600
Cost of inventories sold or consumed	1,039	1,121
Depreciation of property, plant and equipment	395	363
Depreciation of right-of-use assets	1,090	1,150
Expenses related to short-term leases	19	42
Gain on disposal of subsidiaries	–	20
Greening costs	55	90
Property management services fees	1,540	1,405
Building management, cleaning and utilities expenses	1,170	1,057
Maintenance costs	1,813	4,191
Legal and professional service fees (including the auditor's remuneration disclosed above)	2,515	1,955
(Gain)/loss on disposal of property, plant and equipment	(320)	50
Direct operating expenses incurred for investment properties that generated rental income during the year	3,033	2,862
Direct operating expenses incurred for investment properties that did not generate rental income during the year	122	122

10. EMPLOYEE BENEFITS EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs including directors' remunerations:		
Salaries and allowances	19,215	16,119
Retirement benefit scheme contributions	<u>1,229</u>	<u>1,042</u>
Total employee benefits expense	20,444	17,161
Other employee welfare	<u>478</u>	<u>1,342</u>
Staff costs	<u><u>20,922</u></u>	<u><u>18,503</u></u>

11. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS/(LOSS) PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss):		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	<u><u>2,509</u></u>	<u><u>(47,007)</u></u>
	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<u><u>2,819,102</u></u>	<u><u>2,819,102</u></u>

The basic and diluted earnings/(loss) per share were the same as the Company had no dilutive potential ordinary shares in issue during the years ended 31 December 2023 and 2022.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK\$'000	HK\$'000
Trade receivables	4,802	4,730
Allowance for doubtful debts	(263)	(182)
	4,539	4,548
Prepayments (<i>note a</i>)	2,473	512
Rental and other deposits	573	633
Deposits paid to the landlord (<i>note b</i>)	172,760	–
Other receivables	741	580
	181,086	6,273

Notes:

- a. As at 31 December 2023, included in the prepayments was approximately HK\$1,675,000 (2022: Nil) related to prepayment for legal and professional fees of the transaction (note b).
- b. The landlord is a connected party under the Chapter 14A of the Listing Rules. The Group has paid HK\$172,760,000 to the landlord in relation to very substantial acquisition and connected transaction in relation to the tenancy agreement, the details refer to the circular dated 31 October 2023.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	2,750	3,852
91 to 180 days	1,032	570
181 to 365 days	681	44
Over 365 days	76	82
	<u>4,539</u>	<u>4,548</u>

Approximately HK\$4,036,000 was subsequently settled after the end of the reporting period.

Reconciliation of allowance for trade receivables:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	182	182
Impairment during the year	81	–
	<u>263</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 2023						
Weighted average expected loss rate	-	3%	10%	10%	15%	
Receivable amount (HK\$'000)	832	2,143	887	681	259	4,802
Loss allowance (HK\$'000)	-	(65)	(89)	(70)	(39)	(263)
At 31 December 2022						
Weighted average expected loss rate	-	-	-	-	68%	
Receivable amount (HK\$'000)	387	3,484	548	45	266	4,730
Loss allowance (HK\$'000)	-	-	-	-	(182)	(182)

14. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	778	1,287
Other payables and accrued charges	6,025	10,749
Other tax payables	118	174
Contract liabilities	1,086	696
Receipt from bondholders (<i>note</i>)	<u>219,910</u>	<u>-</u>
	<u>227,917</u>	<u>12,906</u>

Note: The Company received approximately HK\$219,910,000 from bondholders in relation to the very substantial acquisition and connected transaction in relation to the tenancy agreement and proposed issue of convertible bond, the details refer to the circular of the Company dated 31 October 2023.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	50	623
91 to 180 days	–	–
Over 365 days	728	664
	<u>778</u>	<u>1,287</u>

15. BANK BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowings	160,000	160,000

As at 31 December 2023 and 2022, the bank borrowings contain a repayment on demand clause.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Repayable on demand	160,000	160,000

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank borrowings, the bank borrowings are repayable:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	16,000	–
In the second year	16,000	16,000
In the third year to fifth year, inclusive	128,000	144,000
	<u>160,000</u>	<u>160,000</u>

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

The interest rate of the Company's bank borrowings as at 31 December 2023 was 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower (2022: 2% per annum over one-month HIBOR or 0.5% per annum below HK\$ prime rate, whichever is lower).

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

Bank borrowings of HK\$160,000,000 (2022: HK\$160,000,000) are secured by (i) the investment properties of carrying amount of HK\$348,000,000 (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 (2022: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2022: 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) (2022: 60%).

After the end of the reporting period, the Group has obtained a letter from the bank, the bank does not expect the Borrowings would be demanded or cancelled in the next twelve months from the date of the letter unless there is occurrence of an event of default stipulated in the banking facility letter. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that any event of default will occur in the next twelve months from the date of the letter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

During the year ended 31 December 2023 (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 decreased by HK\$1,608,000 or 4.0% from HK\$39,875,000 for the year ended 31 December 2022 to HK\$38,267,000 for the Year, mainly due to a decrease in revenue from the property management and other related services segment and partially offset by an increase in the rental income from investment properties.

Property management and other related services

Since the year 2020, the Group continued to derive income from its property management and other related business with two China properties developers (i) Shenzhen Houting Yayuan Investment Co., Ltd.* (深圳市后亭雅苑投資有限公司) with the properties managed located at Shajing East to Songsha Road South to Neway Factory West to Zhongting Road East Road, Bao’an District, Shenzhen* (深圳市寶安區沙井東至松沙路南至紐威廠西至中亭路北至中亭東路); (ii) Shenzhen Hongxing Yayuan Property Co., Ltd.* (深圳市紅星雅苑置業有限公司) with the properties manage located at Juncture of Songming Avenue and Baoan Avenue, Songgang Street, Bao’an District, Shenzhen* (深圳市寶安區松崗街道松明大道與寶安大道交匯處). 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\$25,365,000 (2022: HK\$27,768,000) 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 increased by HK\$161,000 or 2.5% from HK\$6,343,000 for the year ended 31 December 2022 to HK\$6,504,000 for the Year.

* for identification purposes only

Property investment

The Group has 30 units of investment properties in Hong Kong. Rental income derived from these investment properties increased by HK\$634,000 or 11% from HK\$5,764,000 for the year ended 31 December 2022 to HK\$6,398,000 for the Year, mainly due to the increase in the average rental income per apartment unit.

Staff costs

Staff cost increased by HK\$2,419,000 or 13.1% from HK\$18,503,000 for the year ended 31 December 2022 to HK\$20,922,000 for the Year, mainly due to salary increment with effect from January 2023 and the increase in the number of headcounts for the Year.

Other property management related expenses

Other property management related expenses decreased by HK\$2,260,000 or 24.2% from HK\$9,355,000 for the year ended 31 December 2022 to HK\$7,095,000 for the Year, mainly due to absence of a one-off repair and maintenance expenditure of HK\$1,673,000 in our service site in Shenzhen, the PRC in 2022, and offset with 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\$512,000 or 7.0% from HK\$7,297,000 for the year ended 31 December 2022 to HK\$7,809,000 for the Year, mainly due to an increase 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\$3,435,000 or 70.8% from HK\$4,854,000 for the year ended 31 December 2022 to HK\$8,289,000 for the Year, due to an increase in the interest rates on the bank borrowings for the Year.

Profit for the Year

For the Year, the Group recorded a profit of HK\$2,182,000, as compared to a loss of HK\$47,007,000 for the year ended 31 December 2022. The turnaround from loss to profit for the Year was mainly due to the fair value gain on our investment properties of HK\$2,000,000 adjusted for the current year, as compared to a fair value loss of HK\$46,000,000 for the year ended 31 December 2022.

Charge over the Group's assets

The Group has pledged its investment properties as collateral for bank borrowings. As at 31 December 2023, the fair value of those pledged investment properties amounted to HK\$348,000,000 (2022: HK\$346,000,000).

Bank borrowings of HK\$160,000,000 as at 31 December 2023 (2022: HK\$160,000,000) are secured by (i) the investment properties of HK\$348,000,000 (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 (2022: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (2022: 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) (2022: 60%).

Material Investment

During the Year, the Group entered into a tenancy agreement (as amended and supplemented) (the “**Tenancy Agreement**”) in respect of the sub-lease of the Silicon Valley Industrial Park located in Shajing Street, Bao'an District, Shenzhen, the PRC. Details of, amongst others, the Tenancy Agreement are set out in the Company's circular dated 31 October 2023.

PROSPECTS

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.

Following the completion of the Tenancy Agreement and Subscription Agreement, it is expected that, among other things, rental income from the Silicon Valley Industrial Park will provide a stable revenue and secure a cashflow stream from the leased property. The Group can also enjoy the synergy for the property management business by leveraging its existing resources to enhance its service offerings and provide a more comprehensive range of property management solution to its tenants.

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 2023, there was outstanding bank borrowings in the principal sum of HK\$160,000,000 (2022: HK\$160,000,000). The Group's working capital requirements in 2023 were funded with bank borrowings, advances from its related parties and internal funds from Company's operation totalling HK\$74,357,000 (2022: HK\$67,638,000).

The repayment schedule of the bank borrowings are 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 has repaid the bank borrowings in the principal of HK\$16,000,000 in March 2024.

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 obligations of the Company to the extent that it is unable to meet those obligations itself and the amount due to him would not demand for repayment for at least twelve months.

EMPLOYEES

As at 31 December 2023, the Group had a total of 157 employees (2022: 149), including directors. Staff costs for the year ended 31 December 2023 amounted to approximately HK\$20,922,000 (2022: HK\$18,503,000).

PLEDGE OF ASSETS

As at 31 December 2023, investment properties and bank deposits with an aggregate value of HK\$363,332,000 (2022: HK\$360,891,000) were pledged to the bank to secure bank borrowings granted to the Company.

EVENTS AFTER THE YEAR

During the Year, the Group entered into the Tenancy Agreement. The Company has also entered into a subscription agreement (the “**Subscription Agreement**”) with the subscribers for the issue of the 3.6% convertible bond due 2029 in the principal amount of HK\$353,360,000. The conditions precedent under the Tenancy Agreement and the Subscription Agreement have all been fulfilled or waived after the end of the Year. Details of the Tenancy Agreement and the Subscription Agreement can be found in the Company’s circular dated 31 October 2023.

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 long run, 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 2023.

SCOPE OF WORK OF INFINITY CPA 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 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Infinity CPA Limited (“**Infinity**”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023. The work performed by Infinity in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Infinity 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 C3 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 2023.

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.

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 C1 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:

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 a final dividend for the year ended 31 December 2023 (2022: 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 annual report of the Company for the year ended 31 December 2023 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, 27 March 2024

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.