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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 2024

The board of directors (the “**Board**”) of China Asia Valley Group Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	42,705	20,007
Other income and gains	6	2,303	721
Staff costs		(8,733)	(10,685)
Depreciation and amortisation expenses		(17,889)	(742)
Property related expenses		(3,345)	(4,008)
Other operating and administrative expenses		(2,626)	(4,092)
Fair value gain on investment properties		3,129	–
Profit from operations		15,544	1,201
Finance costs	7	(12,139)	(3,848)
Profit/(loss) before tax		3,405	(2,647)
Income tax expense	8	(56)	(150)
Profit/(loss) for the period	9	<u>3,349</u>	<u>(2,797)</u>

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive (expense)/income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(281)</u>	<u>188</u>
Other comprehensive (expense)/income for the period, net of tax		<u>(281)</u>	<u>188</u>
Total comprehensive income/(expense) for the period		<u>3,068</u>	<u>(2,609)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		3,673	(2,684)
Non-controlling interests		<u>(324)</u>	<u>(113)</u>
		<u>3,349</u>	<u>(2,797)</u>
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		3,392	(2,496)
Non-controlling interests		<u>(324)</u>	<u>(113)</u>
		<u>3,068</u>	<u>(2,609)</u>
Earnings/(loss) per share			
	<i>10</i>		
Basic (<i>HK cent(s) per share</i>)		<u>0.10</u>	<u>(0.10)</u>
Diluted (<i>HK cent(s) per share</i>)		<u>0.10</u>	<u>(0.10)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	<i>Notes</i>	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>12</i>	848	867
Right-of-use assets	<i>13</i>	704	914
Investment properties	<i>4</i>	351,129	348,000
Leased properties under sub-lease arrangement	<i>14</i>	670,580	–
Deposits paid to the landlord	<i>21</i>	251,996	–
Goodwill		200	200
		1,275,457	349,981
Current assets			
Inventories	<i>15</i>	1,113	1,089
Trade and other receivables	<i>16</i>	49,142	181,086
Tax recoverable		140	–
Pledged bank deposits		11,660	15,332
Cash and cash equivalents		27,131	51,131
		89,186	248,638
Current liabilities			
Trade and other payables	<i>17</i>	63,297	227,917
Current tax liabilities		–	11
Lease liabilities	<i>18</i>	68,537	873
Bank borrowings	<i>19</i>	144,000	160,000
		275,834	388,801
Net current liabilities		(186,648)	(140,163)
Total assets less current liabilities		1,088,809	209,818

	<i>Notes</i>	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current liabilities			
Amount due to a related party	20	51,317	76,774
Lease liabilities	18	<u>548,023</u>	<u>–</u>
		<u>599,340</u>	<u>76,774</u>
NET ASSETS		<u>489,469</u>	<u>133,044</u>
Capital and reserves			
Share capital	22	317,635	140,955
Reserves		<u>172,268</u>	<u>(7,803)</u>
Equity attributable to owners of the Company		489,903	133,152
Non-controlling interests		<u>(434)</u>	<u>(108)</u>
TOTAL EQUITY		<u>489,469</u>	<u>133,044</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. COMPANY INFORMATION

China Asia Valley Group Limited (the “**Company**”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business in Hong Kong is Rooms 1237–1240, 12/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The principal activities of its principal subsidiaries are property investment, provision of horticultural services and sales of plants, and property management and other related services.

As at the date of issuing these unaudited condensed consolidated financial statements for the Reporting Period (the “**Interim Financial Statements**”), in the opinion of the directors of the Company (the “**Directors**”), China Asia Group Inc., a company incorporated in the British Virgin Islands, is the ultimate holding company, and controlled by Mr. Huang Binghuang (the “**Controlling Shareholder**”).

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, the Interim Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2023. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in those annual financial statements of the Company for the year ended 31 December 2023, except for the application of new and revised Hong Kong Financial Reporting Standards.

Going concern basis

The Group had net current liabilities of approximately HK\$186,648,000 as at 30 June 2024. These conditions cast a significant doubt about the ability of the Group to continue as a going concern. Notwithstanding this fact, the Directors consider that it is appropriate to prepare the Interim Financial Statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligations as they fall due for at least the next twelve months from 30 June 2024 based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 30 June 2024, 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 current account balances due to the Controlling Shareholder and the related companies at least twelve months; and
- (d) the Group has obtained a letter from the bank in January 2024, 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 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 be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Interim Financial Statements.

3. ADOPTION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are initially applied in the current period

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

- Amendments to HKFRS 16, Lease Liability in a Sales and Leaseback
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1, Non-current Liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

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

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

Description	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2024 (unaudited)				
Investment Properties				
– Residential units				
– Hong Kong	<u>–</u>	<u>–</u>	<u>351,129</u>	<u>351,129</u>
At 31 December 2023 (audited)				
Investment Properties				
– Residential units				
– Hong Kong	<u>–</u>	<u>–</u>	<u>348,000</u>	<u>348,000</u>

(b) Disclosures of valuation process used by the Group and valuation techniques and key inputs used in fair value measurements at 30 June 2024 and 31 December 2023:

Level 3 fair value measurements

Description	Valuation technique	Key inputs	Fair Value	
			As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Residential units located in Hong Kong	Income approach	Capitalised net rental income	<u>351,129</u>	<u>348,000</u>
			<u>351,129</u>	<u>348,000</u>

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

5. REVENUE AND SEGMENT REPORTING

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

The Group has three operating segments as follows:

Property investment – engages in leasing out residential properties and subleasing the leased properties

Horticultural services and sale of plants – provides horticultural services and sales of plants

Property management and other related services – provides building management and other related services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

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

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

(a) **Disaggregation of revenue**

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Disaggregated by major products or services		
– Provision of property management and other related services	9,639	13,804
– Provision of horticultural services and sales of plants	3,043	3,147
Revenue from contracts with customers	12,682	16,951
– Rental income from investment properties	3,456	3,056
– Rental income from sub-leasing the leased properties	26,567	–
Total revenue	42,705	20,007
Disaggregated by geographical location of customers		
– Hong Kong	3,043	3,147
– The People's Republic of China (the "PRC") except Hong Kong	9,639	13,804
	12,682	16,951

Timing of revenue recognition

	Six months ended 30 June					
	2024			2023		
	At a point in time	Over time	Total	At a point in time	Over time	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision of property management and other related services	–	9,639	9,639	–	13,804	13,804
Provision of horticultural services and sales of plants	404	2,639	3,043	455	2,692	3,147
Total	404	12,278	12,682	455	16,496	16,951

(b) Segment revenues and results

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

For the six months ended 30 June 2024

	Property investment <i>HK\$'000</i> (unaudited)	Horticultural services and sale of plants <i>HK\$'000</i> (unaudited)	Property management and other related services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue from customers	30,023	3,049	9,639	42,711
Intersegment revenue	—	(6)	—	(6)
Segment revenue from external customers	30,023	3,043	9,639	42,705
Segment profit	10,015	888	2,263	13,166
Unallocated other income and gains				2,038
Unallocated depreciation of property, plant and equipment and right-of-use assets				(3)
Unallocated staff costs and other operating and administrative expenses				(5,853)
Finance costs				(5,943)
Profit before tax				3,405

For the six months ended 30 June 2023

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

(c) **Segment assets and liabilities**

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Segment assets		
Property investment	1,019,668	349,191
Horticultural services and sale of plants	2,716	1,913
Property management and other related services	18,030	12,104
	<hr/>	<hr/>
Total segment assets	1,040,414	363,208
Pledged bank deposits	11,660	15,332
Unallocated assets:		
Leased properties under sub-lease arrangement	53,204	859
Cash and cash equivalents	2,110	42,704
Other assets	257,255	176,516
	<hr/>	<hr/>
Consolidated total assets	<u>1,364,643</u>	<u>598,619</u>
Segment liabilities		
Property investment	659,193	1,370
Horticultural services and sale of plants	1,647	1,145
Property management and other related services	16,133	2,492
	<hr/>	<hr/>
Total segment liabilities	676,973	5,007
Bank borrowings	144,000	160,000
Amounts due to related parties	51,317	76,774
Current tax liabilities	–	11
Unallocated liabilities:		
Other liabilities	2,884	222,910
Lease liabilities	–	873
	<hr/>	<hr/>
Consolidated total liabilities	<u>875,174</u>	<u>465,575</u>

(d) Other segment information

	Property investment <i>HK\$'000</i> (unaudited)	Horticultural services and sale of plants <i>HK\$'000</i> (unaudited)	Property management and other related services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
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For the six months ended 30 June 2024

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

Depreciation of property, plant and equipment, right-of-use assets and investment properties	16,445	69	8	1,367	17,889
Other income and gains	195	29	40	2,039	2,303
Additions to non-current assets	104	–	–	92	196

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

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

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

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		As at 30 June	As at 31 December
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	6,499	6,203	657,954	349,938
The PRC except Hong Kong	36,206	13,804	617,503	43
Consolidated total	42,705	20,007	1,275,457	349,981

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Provision of property investment, property management and other related services		
– Customer A (<i>note</i>)	2,955	2,126

Note: The revenue from customer A is below 10% to the Group's revenue for the six months ended 30 June 2024.

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposits	318	88
Imputed interest income on rental deposits	1,364	–
Gain on disposal of property, plant and equipment	–	320
Others	621	313
	2,303	721

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	5,926	3,827
Interest paid on lease liabilities	6,213	21
	<u>12,139</u>	<u>3,848</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax – PRC Corporate Income Tax		
Provision for the period	<u>56</u>	<u>150</u>

No provision for Hong Kong Profits Tax has been made since the Company and its subsidiaries either had sufficient tax losses brought forward to set off against assessable profits or did not generate any assessable profits for the Reporting Period and the six months ended 30 June 2023. Should provision for Hong Kong Profits Tax be required, it is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for these periods, except for one subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime.

PRC Corporate Income Tax of the subsidiaries of the Company in the PRC has been provided at applicable rates on the estimated assessable profits for the Reporting Period and the six months ended 30 June 2023. The applicable rates which may be lower than the standard rate of corporate tax at 25% represent the tax concessionary rates available to the small and medium-size enterprises in the PRC and are shown as follows:

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

9. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold or consumed	432	434
Depreciation of property, plant and equipment and right-of-use assets	695	742
Depreciation of investment properties	17,194	–
Directors' remuneration	1,390	1,390
Greening costs	25	9
Property management services fees	–	890
Building management, cleaning and utilities expenses	777	670
Maintenance costs	659	1,172
Legal and professional service fees	1,365	1,790
Allowance for inventories	(27)	104
Gain on disposal of property, plant and equipment	–	(320)
	<u> </u>	<u> </u>

10. 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:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	<u>3,673</u>	<u>(2,684)</u>
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<u>3,829,305</u>	<u>2,819,102</u>

The basic and diluted earnings/(loss) per share for the Reporting Period and six months ended 30 June 2023 were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

During the Reporting Period, 3,533,600,000 shares have been issued upon the conversion of the Convertible Bond. Details of the transaction refer to the circular of the Company dated 31 October 2023 (the “**Circular**”). Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

11. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period (the six months ended 30 June 2023: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired items of property, plant and equipment at a cost of HK\$196,000.

13. RIGHT-OF-USE ASSETS

	Land and buildings HK\$'000
Cost:	
At 1 January 2024 (audited)	1,914
Additions	324
Derecognition	(274)
	<hr/>
At 30 June 2024 (unaudited)	1,964
	<hr/>
Accumulated depreciation:	
At 1 January 2024 (audited)	1,000
Charge for the period	534
Derecognition	(274)
	<hr/>
At 30 June 2024 (unaudited)	1,260
	<hr/>
Carrying amount	
At 30 June 2024 (unaudited)	704
	<hr/> <hr/>

	Land and buildings <i>HK\$'000</i> (audited)
Cost:	
At 1 January 2023	3,465
Additions	1,640
Derecognition	<u>(3,191)</u>
At 31 December 2023	<u>1,914</u>
Accumulated depreciation:	
At 1 January 2023	3,101
Charge for the year	1,090
Derecognition	<u>(3,191)</u>
At 31 December 2023	<u>1,000</u>
Carrying amount	
At 31 December 2023	<u><u>914</u></u>

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Expenses relating to short-term leases	–	19
Repayment of principal portion of lease liabilities	471	1,089
Interest paid in lease liabilities	18	50
Total cash outflows for leases for the period/year	<u>489</u>	<u>1,158</u>

The Group leases its office and flower garden. Lease agreements are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated in Hong Kong on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

14. LEASED PROPERTIES UNDER SUB-LEASE ARRANGEMENT

	Leased properties under sub-lease arrangement <i>HK\$'000</i>	
Cost		
At 1 January 2024 (audited)		–
Additions		623,427
Exchange realignment		64,348
		<hr/>
At 30 June 2024 (unaudited)		687,775
		<hr/>
Accumulated depreciation		
At 1 January 2024 (audited)		–
Charge for the period		15,586
Exchange realignment		1,609
		<hr/>
At 30 June 2024 (unaudited)		17,195
		<hr/>
Carrying amount		
At 30 June 2024 (unaudited)		670,580
		<hr/> <hr/>
At 31 December 2023 (audited)		–
		<hr/> <hr/>
	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Repayment of principal portion of lease liabilities	15,687	–
Interest paid in lease liabilities	5,616	–
Exchange realignment	2,199	–
	<hr/>	<hr/>
	23,502	–
	<hr/> <hr/>	<hr/> <hr/>

During the Reporting Period, the Group has completed the Tenancy Agreements. Details of the Tenancy Agreements refer to the Circular. The completion of the Tenancy Agreement resulted in the recognition of right-of-use asset and a lease liability at the commencement date of the lease. All leases are required to be capitalized as right-of-use assets and lease liabilities. The leased properties under sub-lease arrangement are depreciated over the lease period of 10 years for the tenancy agreement on a straight-line basis. The lease liabilities were recognised at the present value of the lease payments that are not paid at the commencement of the lease. Subsequent to the commencement of the lease, the Company will measure the lease liability by (i) increasing the carry amount to reflect the interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made.

The Group's leased properties in relation to operating lease used in sub-leasing business, meet the definition of investment properties.

Leased properties under sub-lease arrangement are carried at cost less accumulated depreciation and accumulated impairment losses.

15. INVENTORIES

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Horticultural plants	634	607
Others	479	482
	<u>1,113</u>	<u>1,089</u>

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Trade receivables	24,822	4,802
Allowance for doubtful debts	(81)	(263)
	<u>24,741</u>	<u>4,539</u>
Prepayments	1,120	2,473
Rental and other deposits	531	573
Deposits paid to the landlord (<i>note</i>)	–	172,760
Other receivables	22,750	741
	<u>49,142</u>	<u>181,086</u>

Note: As a result of the completion of Tenancy Agreement as disclosed in the Circular, deposits paid to the landlord under the current assets as at 31 December 2023 for the amount of HK\$172,760,000 have been reclassified as deposits paid to the landlord under non-current assets at the end of Reporting Period.

The credit term for horticultural services and sales of plants 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 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
0 to 90 days	20,877	2,750
91 to 180 days	2,547	1,032
181 to 365 days	1,221	681
Over 365 days	96	76
	<u>24,741</u>	<u>4,539</u>

17. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Trade payables	8,009	778
Other payables and accrued charges	31,005	6,025
Other tax payables	–	118
Contract liabilities	24,283	1,086
Receipt from bondholders (<i>note</i>)	–	219,910
	<u>63,297</u>	<u>227,917</u>

Note: As at 31 December 2023, the Company received approximately HK\$219,910,000 from Subscribers in relation to the very substantial acquisition and connected transaction in relation to the Tenancy Agreements and proposed issue of Convertible Bond. During the Reporting Period, the Subscribers which became the Bondholders and the Bondholders converted all the Convertible Bond into Conversion Shares. Details of the Transactions refer to the Circular.

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

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
0 to 90 days	7,286	50
91 to 180 days	–	–
Over 365 days	723	728
	<u>8,009</u>	<u>778</u>

18. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Within one year	91,628	895	68,537	873
In the second to fifth years	327,322	–	261,149	–
Over five years	314,137	–	286,874	–
	<u>733,087</u>	895	<u>616,560</u>	873
Less: Future finance charges	(116,527)	(22)	N/A	N/A
Present value of lease liabilities	<u>616,560</u>	<u>873</u>	<u>616,560</u>	873
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(537)</u>	<u>(873)</u>
Amount due for settlement after 12 months			<u>616,023</u>	<u>–</u>

The lessee's increment borrowing rate as at 30 June 2024 of 3.95% (31 December 2023: 3%) is applied discounting the lease payments to arrive at the initial measurement amount of the lease liabilities recognized.

19. BANK BORROWINGS

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Bank loans	144,000	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:

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Within 1 year	16,000	16,000
In the second year	16,000	16,000
In the third year to fifth year, inclusive	112,000	128,000
	144,000	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 2024 and 31 December 2023 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 2024, bank loans of HK\$144,000,000 (31 December 2023: HK\$160,000,000) are secured by (i) the investment properties of HK\$352,129,000 (31 December 2023: HK\$348,000,000), (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 2023: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (31 December 2023: 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 2023: 60%)).

20. AMOUNTS DUE TO A RELATED PARTY

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Amount due to the Controlling Shareholder (<i>note</i>)	<u>51,317</u>	<u>76,774</u>

Note: Amount due to the Controlling Shareholder is unsecured, interest-free and repayable on demand and the Company has repaid HK\$25,000,000 to the Controlling Shareholder.

21. DEPOSITS PAID TO THE LANDLORD

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Deposit paid to the landlord (<i>note</i>)	<u>251,996</u>	<u>–</u>

Note:

During the Reporting Period, the Group has completed the Tenancy Agreement and paid deposits to the landlord. The landlord is a connected party under the Chapter 14A of the Listing Rules. The Group has paid approximately HK\$251,996,000 (31 December 2023: HK\$172,760,000) to the landlord in relation to very substantial acquisition and connected transaction in relation to the Tenancy Agreement. As a result of the completion of Tenancy Agreement as disclosed in the Circular, deposits paid to the landlord under the current assets as at 31 December 2023 for the amount of HK\$172,760,000 have been reclassified as deposits paid to landlord under the non-current assets at the end of Reporting Period. Details of the transaction can be found in the Circular.

The completion of the Tenancy Agreement has resulted in a recognition of right-of-use asset and a difference between the fair value and the cost of the rental deposit at the commencement date of the lease. The right-of-use asset is depreciated over the lease period of 10 years for the Tenancy Agreement on a straight-line basis. The difference of HK\$54,568,000 between the fair value and the cost of the rental deposit was recognized at the present value of the discounted amount that are not paid at the commencement of the lease. Subsequent to the commencement of the lease, the Company will measure the imputed rental interest income by increasing the carrying amount to reflect the rental deposits paid to the landlord.

The directors of the Company has assessed the financial position of the counterparty and are of the opinion that there was no significant credit risk and the expected credit loss was limited to 12-months expected credit losses. Therefore, ECL rate of these deposits were assessed to be close to zero and no provision was made as at 30 June 2024 and 31 December 2023.

22. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2024 '000 (unaudited)	31 December 2023 '000 (audited)	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Ordinary shares of HK\$0.05 each				
Authorised:				
At the beginning and end of the reporting period	<u>20,000,000</u>	<u>20,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning of the reporting period	2,819,102	2,819,102	140,955	140,955
Issue upon the conversion of the convertible bond	<u>3,533,600</u>	<u>–</u>	<u>176,680</u>	<u>–</u>
	<u>6,352,702</u>	<u>2,819,102</u>	<u>317,635</u>	<u>140,955</u>

During the Reporting Period, the Company issued the Convertible Bond in the aggregate principal amount of HK\$353,360,000 at an interest rate of 3.6% per annum for 3,533,600,000 shares. Subsequent to the issuance of the Convertible Bond, the Subscribers converted all the Convertible Bonds and 3,533,600,000 shares of the Company have then been issued. The owners of all ordinary shares including the Conversion Shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at the meeting of the Company. All ordinary shares including the Conversion Shares rank equally with regard to the Company's residual assets.

23. CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2024 (31 December 2023: Nil).

24. LEASE COMMITMENTS

The Group as lessor

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

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Within one year	91,023	5,567
In the second to fifth year inclusive	303,610	2,174
Over five years	314,137	–
	<u>708,770</u>	<u>7,741</u>

25. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 28 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Reporting Period, the Group continued to engage in property investment, provision of horticultural services and sales of plants, and property management and other related services.

Revenue of the Group for the Reporting Period increased by approximately HK\$22,698,000 or 113.5% from approximately HK\$20,007,000 for the six months ended 30 June 2023 to approximately HK\$42,705,000 for the Reporting Period, mainly due to a significant increase in revenue from the property investment partially offset by the decrease in the revenue from the property management and other related services.

Property investment

Rental income derived from investment properties and subleasing properties increased by approximately HK\$26,967,000 or 882.4% from approximately HK\$3,056,000 for the six months ended 30 June 2023 to approximately HK\$30,023,000 for the Reporting Period, mainly due to the commencement of sub-leasing operations at the Silicon Valley Industrial Park leased by the Group.

Property management and other related services

The Group provides property management and other related services in the PRC and entered into service contracts with two China properties developers (i) Shenzhen Houting Yayuan Investment Co., Ltd.* (深圳市后亭雅苑投資有限公司) with the properties under management located at Shajing East to Songsha Road South to Neway Factory West to Zhongting Road East Road, Bao'an District, Shenzhen* (深圳市寶安區沙井東至松沙路南至紐威廠西至中亭路北至中亭東路); and (ii) Shenzhen Hongxing Yayuan Property Co., Ltd.* (深圳市紅星雅苑置業有限公司) with the properties under management located at juncture of Songming Avenue and Baoan Avenue, Songgang Street, Bao'an District, Shenzhen* (深圳市寶安區松崗街道松明大道與寶安大道交匯處). Revenue from property management and other related services decreased by approximately HK\$4,165,000 or 30.2% from approximately HK\$13,804,000 for the six months ended 30 June 2023 to approximately HK\$9,639,000 for the Reporting Period, mainly due to the decrease in the areas under management.

* for identification purposes only

Horticultural services and sales of plants

The Group also operates horticultural services and sales of plants segment under the brand name of “Cheung Kee Garden” for over forty years. Revenue from the provision of horticultural services and sales of plants slightly decreased by approximately HK\$104,000 or 3.3% from HK\$3,147,000 for the six months ended 30 June 2023 to approximately HK\$3,043,000 for the Reporting Period.

Staff costs

Staff costs decreased by approximately HK\$1,952,000 or 18.3% from HK\$10,685,000 for the six months ended 30 June 2023 to HK\$8,733,000 for the Reporting Period, mainly due to a decrease in the number of the headcounts.

Depreciation and amortization expenses

Depreciation and amortization expenses increased by approximately HK\$17,147,000 or 2,310% from approximately HK\$742,000 for the six months ended 30 June 2023 to approximately HK\$17,889,000 for the Reporting Period, mainly due to the recognition of depreciation expenses of the right-of-use assets following the commencement of the sub-leasing operations of the Silicon Valley Industrial Park during the Reporting Period.

Property related expenses

Property related expenses decreased by approximately HK\$663,000 or 16.5% from approximately HK\$4,008,000 for the six months ended 30 June 2023 to HK\$3,345,000 for the Reporting Period, mainly due to a decrease in the management fee charged by the service provider and maintenance costs.

Other operating and administrative expenses

Other operating and administrative expenses decreased by approximately HK\$1,466,000 or 35.8% from approximately HK\$4,092,000 for the six months ended 30 June 2023 to approximately HK\$2,626,000 for the Reporting Period, mainly due to an decrease in the legal and professional fees incurred.

Fair value gain on investment properties

During the Reporting Period, there was a gain of approximately HK\$3,129,000 arising from the changes in the fair value of the investment properties mainly due to mild increase in rental income.

Finance costs

Finance costs represented interests on bank borrowings and lease liabilities. Finance costs increased by approximately HK\$8,291,000 or 215.5% from approximately HK\$3,848,000 for the six months ended 30 June 2023 to approximately HK\$12,139,000 for the Reporting Period, mainly due to an increase in the interest rates on the bank loans and the interest expenses incurred for the lease liabilities on the completion the lease under the Tenancy Agreements during the Reporting Period.

Profit for the period

As a result of the above factors, the Group has recorded a profit of approximately HK\$3,405,000 for the Reporting Period as compared to a loss of approximately HK\$2,647,000 for the six months ended 30 June 2023.

Leased properties under sub-lease arrangement

As at 30 June 2024, there was a significant increase of approximately HK\$670,580,000 in the leased properties under sub-lease arrangement from HK\$ Nil as at 31 December 2023 to approximately HK\$670,580,000, mainly due to the recognition of the leased properties under sub-lease agreement following the completion of the lease under the Tenancy Agreement during the Reporting Period.

Bank and other borrowings

As at 30 June 2024, there were outstanding bank loans totalling HK\$144,000,000 (31 December 2023: HK\$160,000,000), and advances from the former ultimate holding company and the Controlling Shareholder of the Company totalling HK\$51,317,000 (31 December 2023: HK\$76,774,000).

Net asset value

The net asset value of the Group per share as at 30 June 2024 was HK\$0.08 (31 December 2023: HK\$0.05) based on the 6,352,702,084 (31 December 2023: 2,819,102,084) ordinary shares of the Company in issue.

PLEDGE OF ASSETS

As at 30 June 2024, investment properties and bank deposits including the interest accrued thereon with an aggregate value of approximately HK\$362,789,000 (31 December 2023: approximately HK\$363,332,000) were pledged to the bank to secure bank loans granted to the Company.

As at 30 June 2024, bank loans of HK\$144,000,000 (31 December 2023: HK\$160,000,000) are secured by (i) the investment properties of HK\$351,129,000 (31 December 2023: HK\$348,000,000), (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 2023: HK\$4,000,000), (iii) bank deposits (excluding the charged portion) of not less than HK\$7,000,000 (31 December 2023: 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 2023: 60%)).

During the Reporting Period, the Board was not aware of any violation of bank covenants attached to the interest-bearing bank loan that would trigger breaches of the covenants such that the lenders may demand immediate repayment.

CHANGE OF SHARE CAPITAL AND USE OF PROCEEDS DURING THE REPORTING PERIOD

During the Reporting Period, the Subscription has been completed. The Subscribers which became the Bondholders have converted the Convertible Bond into the Conversion Shares. The Company has fully utilised the net proceeds from the issue of the Subscription of approximately HK\$351,460,000 into for the payment of approximately HK\$305,200,000 for the payment of Deposit and the remaining for the general working purpose.

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 2024, there were outstanding bank loans in the sum of HK\$144,000,000 (31 December 2023: HK\$160,000,000). The Group's working capital requirements are funded with bank loans, advance from its Controlling Shareholder and former ultimate holding company and cash generated from its ordinary course of business.

The gearing ratio of the Group as at 30 June 2024 was 166% (31 December 2023: 179%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings, lease liabilities and amounts due from its Controlling Shareholder and former ultimate holding company.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (the six months ended 30 June 2023: Nil).

SIGNIFICANT INVESTMENT HELD

The Group has no significant investment held as at 30 June 2024.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the Reporting Period except for the completion of the transactions disclosed in the Circular.

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 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total 149 employees (31 December 2023: 157).

Employees (including directors) are remunerated based on their work performance, professional experience and prevailing industry practice. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from the retirement benefits, discretionary bonuses are awarded to certain employees according to assessments of their individual performance.

PROSPECT

Following the completion of the lease under the Tenancy Agreement, the Group has strengthened its project portfolio, which is expected to benefit its overall financial performance and business development in the future. On the other hand, the recent decision of cut in the PRC's major short and long-term interest rates has signalled its intent to stimulate growth in the market. The Group hopes to take advantage of lower cost environment to further develop its business either in China and Hong Kong.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Except for the allotment and issue of 3,533,600,000 Conversion Shares upon the conversion of the 3.6% HK\$353,360,000 Convertible Bond issued by the Company, 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 C3 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 C1 to the Listing Rules. The Company conducts regular reviews of its corporate governance practices to ensure compliance with the CG Code. For the Reporting Period, the Company has complied with all the Code provisions set out in the CG Code, except for the following:

Deviation from Code Provision C.2.1 of the CG Code

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chief executive officer was performed by Mr. Huang Binghuang, who was also the chairman of the Company during the Reporting Period. The Board believes that vesting the roles of both chairman and chief executive officer in the same person facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance. In addition, it is considered that the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

EVENTS AFTER THE END OF THE PERIOD

There are no significant events occurred after the end of 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 (Chairman), Mr. Wang Rongfang and Mr. Duan Rihuang, and is mainly responsible for reviewing and monitoring the financial reporting process, risk management and internal control systems of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of this results announcement and the interim report. The Audit Committee considers that this results announcement for the Reporting Period is in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.00063.cn). The interim report of the Company for the Reporting Period, containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 28 August 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. Wang Rongfang and Mr. Duan Rihuang as independent non-executive Directors.