

China Asia Valley Group Limited
中亞烯谷集團有限公司

(Incorporated in Bermuda with limited liability)(於百慕達註冊成立之有限公司)
(Stock Code 股份代號: 63)

OMO

商業
模式

63

中亞
烯谷

2024

Interim Report

中期報告

賦能 · 未來

THINK

壯麗中國夢 奮鬥烯谷年 中亞再出發

AHEAD

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在烯谷，我們對新興科技充滿敬畏，
秉持公正、客觀的原則專注於科技推動美好生活的研究。
在烯谷，我們重視人才培養，不斷學習，
堅信只有更加專業的團隊才能更好的為您服務；
在烯谷，我們秉承匯聚智慧，成就價值理念為您賦能；
在烯谷，我們致敬匠心——始終堅信“工匠精神、持之以恆”，
致力於成為您專屬的商業決策智囊。

立責於心，履責於行

中亞烯谷集團只為實現一個宏願：
以產報國、以民之益、以人為本為己任，
致力於實現讓創業開始無限可能的美好願景而不懈努力。

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Binghuang

(Chairman and Chief Executive Officer)

Ms. Xia Ping

Ms. Wang Lijiao

Independent non-executive Directors

Mr. Duan Rihuang

Mr. Wang Rongfang

Mr. Tso Sze Wai

COMPANY SECRETARY

Mr. Tam Chun Wa

AUDITOR

Infinity CPA Limited

LEGAL ADVISERS

Jeffrey Mak Law Firm (as to Hong Kong laws)

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL OFFICE IN HONG KONG

Rooms 1237–1240, 12th Floor

Sun Hung Kai Centre

30 Harbour Road, Wanchai

Hong Kong

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th Floor North Cedar House

41 Cedar Avenue

Pembroke HM12

Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services
Limited

Shops 1712–1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

LISTING INFORMATION

Stock Code: 63, Hong Kong

WEBSITE

www.00063.cn

The board of directors (the “**Board**”) of China Asia Valley Group Limited (the “**Company**”) announces that the unaudited condensed interim financial information 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 HK\$'000 (Unaudited)	2023 HK\$'000 (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	3,349	(2,797)
Other comprehensive (expense)/income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(284)	188
Other comprehensive (expense)/income for the period, net of tax		(284)	188
Total comprehensive income/(expense) for the period		3,065	(2,609)

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 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		3,673	(2,684)
Non-controlling interests		(324)	(113)
		3,349	(2,797)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		3,391	(2,496)
Non-controlling interests		(326)	(113)
		3,065	(2,609)
Earnings/(loss) per share			
Basic (HK cent(s) per share)	10	0.10	(0.10)
Diluted (HK cent(s) per share)		0.10	(0.10)

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	12	848	867
Right-of-use assets	13	704	914
Investment properties	4	351,129	348,000
Leased properties under sub-lease arrangement	14	670,580	–
Deposits paid to the landlord	21	251,996	–
Goodwill		200	200
		1,275,457	349,981
Current assets			
Inventories	15	1,113	1,089
Trade and other receivables	16	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	17	63,297	227,917
Current tax liabilities		–	11
Lease liabilities	18	68,537	873
Bank borrowings	19	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

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 liabilities			
Amount due to a related party	20	51,317	76,774
Lease liabilities	18	548,023	–
		599,340	76,774
NET ASSETS			
		489,469	133,044
Capital and reserves			
Share capital	23	317,635	140,955
Reserves		172,268	(7,803)
Equity attributable to owners of the Company			
		489,903	133,152
Non-controlling interests		(434)	(108)
TOTAL EQUITY			
		489,469	133,044

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company								
	Share capital	Share premium	Convertible bond equity component reserve	Capital redemption reserve	Foreign currency translation reserve	Retained profits/ (Accumulated losses)	Sub-total	Non-controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2024 (audited)	140,955	26,770	-	121	(1,346)	(33,348)	133,152	(108)	133,044
Issue of convertible bond	-	-	79,759	-	-	-	79,759	-	79,759
Total comprehensive income for the period (unaudited)	-	-	-	-	(282)	3,673	3,391	(326)	3,065
Issue of shares upon conversion of convertible bond	176,680	176,680	(79,759)	-	-	-	273,601	-	273,601
At 30 June 2024 (unaudited)	317,635	203,450	-	121	(1,628)	(29,675)	489,903	(434)	489,469
At 1 January 2023 (audited)	140,955	26,770	-	121	(800)	(35,857)	131,189	-	131,189
Total comprehensive income for the period (unaudited)	-	-	-	-	188	(2,684)	(2,496)	(113)	(2,609)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	245	245
At 30 June 2023 (unaudited)	140,955	26,770	-	121	(612)	(38,541)	128,693	132	128,825

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash used in operating activities	(14,856)	(975)
Cash flows from investing activities		
Purchase of property, plant and equipment	(196)	(249)
Deposits paid to the landlord	(305,200)	–
Proceeds from disposal of property, plant and equipment	–	320
Change in pledged bank deposits	3,672	3,478
Interest received	1,682	88
Net cash (used in)/generated from investing activities	(300,042)	3,637
Cash flows from financing activities		
(Repayment to)/advance from controlling shareholder	(25,457)	4,000
Repayment of bank borrowings	(16,000)	–
Capital contribution from non-controlling shareholder of a subsidiary	–	245
Repayment of lease liabilities	(16,158)	(560)
Interest paid	(4,444)	(3,848)
Issuance of convertible bond	353,360	–
Net cash generated from/(used in) financing activities	291,301	(163)
Net (decrease)/increase in cash and cash equivalents	(23,597)	2,499
Effect of foreign exchange rate changes	(403)	188
Cash and cash equivalents at the beginning of period	51,131	3,033
Cash and cash equivalents at the end of period	27,131	5,720
Analysis of cash and cash equivalents		
Bank and cash balances	27,131	5,720

NOTES TO THE 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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:			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2024 (unaudited)				
Investment Properties				
– Residential units				
– Hong Kong	–	–	351,129	351,129
At 31 December 2023 (audited)				
Investment Properties				
– Residential units				
– Hong Kong	–	–	348,000	348,000

(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	351,129	348,000

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

For the six months ended 30 June 2023

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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
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
Consolidated total assets	1,364,643	598,619
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
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
Consolidated total liabilities	875,174	465,575

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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)
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)
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (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 HK\$'000 (unaudited)	2023 HK\$'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (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 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Interest on bank borrowings	4,444	3,827
Interest on convertible bond	1,482	–
Interest paid on lease liabilities	6,213	21
	12,139	3,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. INCOME TAX EXPENSE

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

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%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Cost of inventories sold or consumed	432	434
Depreciation of property, plant and equipment and right-of-use assets	694	742
Depreciation of investment properties	17,195	–
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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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	3,673	(2,684)
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	3,829,305	2,819,102

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 report 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. RIGHT-OF-USE ASSETS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	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
	<hr/>	<hr/>
Total cash outflows for leases for the period/year	489	1,158

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. LEASED PROPERTIES UNDER SUB-LEASE ARRANGEMENT

	Leased properties under sub-lease arrangement	
	<i>HK\$'000</i>	
Cost		
At 1 January 2024 (audited)		–
Additions		674,350
Exchange realignment		13,425
		<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/>
At 31 December 2023 (audited)		–
		<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/>	
	23,502	–
	<hr/>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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
	1,113	1,089

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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)
	24,741	4,539
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
	49,142	181,086

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (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
	24,741	4,539

17. TRADE AND OTHER PAYABLES

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (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
	63,297	227,917

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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
	8,009	778

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	–
	733,087	895	616,560	873
Less: Future finance charges	(116,527)	(22)	N/A	N/A
Present value of lease liabilities	616,560	873	616,560	873
Less: Amount due for settlement within 12 months (shown under current liabilities)			(537)	(873)
Amount due for settlement after 12 months			616,023	–

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. BANK BORROWINGS

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (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 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 (note)	51,317	76,774

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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>)	251,996	–

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

22. CONVERTIBLE BOND

The movements of the liability and equity components of the convertible bond are set out as below:

	Liability component <i>HK\$'000</i> (unaudited)	Equity component <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Value on initial recognition	222,193	79,759	301,952
Interest expense (<i>note 7</i>)	1,482	–	1,482
Conversion of convertible bond	(223,675)	(79,759)	(303,434)
At 30 June 2024	–	–	–

23. SHARE CAPITAL

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

24. CAPITAL COMMITMENTS

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

25. 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	–
	708,770	7,741

26. 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE AND USE OF PROCEEDS

The Company (as issuer) has issued the 3.6% convertible bond due 2029 (the “**Convertible Bond**”) in the principal amount of HK\$353,360,000 to, and China Asia Group Inc., Zhongjun Holding Group Company Limited and Xiong Guoqiang (collectively, the “**Subscribers**”) have subscribed for the Convertible Bond in the principal amounts of HK\$233,450,000, HK\$95,150,000 and HK\$24,760,000, respectively. An aggregate of 3,533,600,000 ordinary shares of the Company (the “**Conversion Share(s)**”) shall be allotted and issued upon full conversion of the Convertible Bond at the initial conversion price of HK\$0.1 per Conversion Share. During the Reporting Period, the Convertible Bond has been fully converted into 3,533,600,000 shares of the Company.

The net conversion price will be approximately HK\$0.0997 per Conversion Share, which is derived from dividing the net proceeds of HK\$352,360,000 by the aggregate of 3,533,600,000 Conversion Shares that are set to be allotted and issued to the Subscribers upon conversion in full of the Convertible Bond. The maximum aggregate nominal value of the Conversion Shares (upon full conversion) is HK176,680,000 based on the nominal value of HK\$0.05 per Share.

The closing price per Share as quoted on the Stock Exchange on the date of the subscription agreement dated 6 June 2023 (as amended and supplemented from time to time) (the “**Subscription Agreement**”), being the date on which the terms of the issue of the Convertible Bond were fixed (i.e. 6 June 2023), was HK\$0.150.

MANAGEMENT DISCUSSION AND ANALYSIS

In light of the payment of the deposit of approximately RMB282.6 million (equivalent to approximately HK\$305.2 million) (the “**Deposit**”) pursuant to the tenancy agreement dated 6 June 2023 and entered into between Shenzhen Zhongya Industry Operation Co., Ltd.* (深圳市中雅產業運營有限公司) as tenant and Shenzhen Qiangang China Asia Electronic City Group Co., Ltd.* (深圳市強崗中亞電子城集團有限責任公司) as landlord in relation to an aggregate area of 350,855 square-metres at the Silicon Valley Industrial Park (as amended and supplemented from time to time) (the “**Tenancy Agreement**”) and the Group’s net current liabilities of approximately HK\$216,066,000 as at 31 December 2022 and the unaudited net current liabilities of approximately HK\$218.5 million as at 30 June 2023, the Directors were of the view that the Group should fund the Deposit through the issue of the Convertible Bond.

At the special general meeting of the Company held on dated 17 November 2023, (i) the Tenancy Agreement and the transactions contemplated thereunder; and (ii) the Subscription Agreement (including the issue of the Convertible Bond) and the transactions contemplated thereunder (including the specific mandate) were approved by the independent Shareholders.

The net proceeds received from the issue of the Convertible Bond after deducting all relevant costs and expenses incurred were approximately HK\$351,460,000. The details of the use of proceeds during the Reporting Period are as follows:

Proposed use of proceeds	Allocation of net proceeds (HK\$) (note)	Net proceeds	Unutilised net	Expected timeline
		utilised during the six months ended 30 June 2024 (HK\$)	proceeds as at 30 June 2024 (HK\$)	
Payment of the Deposit	305,200,000	305,200,000	—	—
General working capital	46,260,000	46,260,000	—	—
Total	351,460,000	351,460,000	—	

note: The payment was made in RMB and therefore there was a change in allocation of net proceeds in HK\$ due to foreign exchange adjustment.

All the net proceeds from the issue of the Convertible Bond have been fully utilized as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Hong Kong dollars ("HK\$") and the Group conducts its business and corporate transactions principally in Renminbi ("RMB") and 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.

CONTINGENT LIABILITIES

As at 30 June 2024, there was no significant contingent liabilities.

FOREIGN EXCHANGE RISK

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 (six months ended 30 June 2023: Nil).

SIGNIFICANT INVESTMENT HELD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 future 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 the 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.

DISCLOSURE OF INFORMATION ON DIRECTORS

There have been no changes to the information of the Directors as at the date of this interim report that is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

GENERAL INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of 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.

DIRECTORS’ INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number and class of shares held	Percentage
Huang Binghuang	Interest of controlled corporation	3,812,395,735 ordinary shares	60.01%

Note:

Mr. Huang Binghuang (“**Mr. Huang**”) was deemed to be interested in the 3,812,395,735 shares of the Company as Mr. Huang held 100% equity interest of China Asia Group Inc., which held 3,812,395,735 shares of the Company.

Save as disclosed above, as at 30 June 2024, none of the Directors and the chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company, that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

GENERAL INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the interests or short positions of the following substantial shareholders (other than persons who were Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions in shares and underlying shares of the company:

Name of Shareholder	Nature of interest	Number and class of shares held	Percentage
China Asia Group Inc. (Note 1)	Beneficial Owner	3,812,395,735 ordinary shares	60.01%
Li Jun (Note 2)	Interest of Controlled Corporation	951,500,000 ordinary shares	14.98%
Zhongjun Holding Group Company Limited (中軍控股集團有限公司) (Note 2)	Beneficial Owner	951,500,000 ordinary shares	14.98%
Xiong Guoqiang (Note 3)	Interest of Controlled Corporation	597,600,000 ordinary shares	9.41%
Xuhong International Corporation (旭宏國際有限公司) (Note 3)	Beneficial Owner	597,600,000 ordinary shares	9.41%

Note:

1. Mr. Huang Binghuang ("**Mr. Huang**") was deemed to be interested in the 3,812,395,735 shares of the Company as Mr. Huang held 100% equity interest of China Asia Group Inc., which held 3,812,395,735 shares of the Company.
2. As Mr. Li Jun held 100% equity interest of Zhongjun Holding Group Company Limited (中軍控股集團有限公司) ("**Zhongjun**"), he was deemed to be interested in the 951,500,000 shares of the Company held by Zhongjun by virtue to Part XV of the SFO.
3. As Mr. Xiong Guoqiang held 100% equity interest of Xuhong International Corporation (旭宏國際有限公司) ("**Xuhong**"), he was deemed to be interested in the 597,600,000 shares of the Company held by Xuhong by virtue to Part XV of the SFO.

GENERAL INFORMATION

Save as disclosed above, as at 30 June 2024, the Company had not been notified of any other persons (other than persons who were Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE SCHEMES

Reference is made to the 2023 Annual Report of the Company for the details of the Company's share option scheme (the "**Scheme**").

The Scheme which was adopted on 23 June 2013 expired on 22 June 2023. As at 1 January 2024 and 30 June 2024, there were no outstanding options granted under the Scheme. During the Reporting Period, no option has been granted, exercised, lapsed, or was cancelled under the Scheme.

The number of options available for grant under the scheme mandate of the Scheme as at 1 January 2024 were 263,165,208. As the Scheme expired on 22 June 2023, no option was available for grant under the Scheme as at 30 June 2024.

As at 1 January 2024, the Company had no share award scheme in place and there were no outstanding share awards granted under any share award scheme of the Company. No share award scheme was adopted during the six months ended 30 June 2024.

In order to offer flexibility to the remuneration structure of the Company and to attract talent, the Company may adopt a new share option scheme/share award scheme in the future as and when appropriate.

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.

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 the following:

GENERAL INFORMATION

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 facilitates 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.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Tso Sze Wai (the Chairman), Mr. Wang Rongfang and Mr. Duan Rihuang, and is 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 the results announcement and the interim report for the Reporting Period. The Audit Committee considers that this interim report for the Reporting Period is in compliance with the relevant accounting standards, rules and regulations, that appropriate disclosures have been made as required by the Listing Rules.

PUBLICATION OF INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.00063.cn) and will be disseminated to the shareholders of the Company.

GENERAL INFORMATION

APPRECIATIONS

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

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

Hong Kong, 28 August 2024

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▶ 扫一扫了解更多

中亞烯谷集團有限公司

China Asia Valley Group Limited

Mob: 400-888-3333 +852 3899 0300 Web: www.00063.cn

Email: info@chn-graphene.com

Add: 深圳市南山區南油大道西桃園路南海明珠花園F座2201室

香港灣仔港灣道30號新鴻基中心12樓1237-1240室

CHINA ASIA VALLEY