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## AVIC Joy Holdings (HK) Limited

幸福控股(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 260)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the “Board”) of directors (the “Directors”) of AVIC Joy Holdings (HK) Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 together with the comparative figures for the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

|  | Notes | Continuing Operations                |                                      | Discontinued Operations              |                                      | Total                                |                                      |
|--|-------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|  |       | Year ended<br>31.12.2019<br>HK\$'000 | Year ended<br>31.12.2018<br>HK\$'000 | Year ended<br>31.12.2019<br>HK\$'000 | Year ended<br>31.12.2018<br>HK\$'000 | Year ended<br>31.12.2019<br>HK\$'000 | Year ended<br>31.12.2018<br>HK\$'000 |
| <b>REVENUE</b>   |       |                                      |                                      |                                      |                                      |                                      |                                      |
| Sales of goods   |       | –                                    | –                                    | 46,873                               | 128,756                              | 46,873                               | 128,756                              |
| Leases   | 3     | 15,546                               | 11,066                               | –                                    | –                                    | 15,546                               | 11,066                               |
| Total revenue  |       | 15,546                               | 11,066                               | 46,873                               | 128,756                              | 62,419                               | 139,822                              |
| Cost of sales  |       | –                                    | –                                    | (30,213)                             | (95,672)                             | (30,213)                             | (95,672)                             |
| Gross profit   |       | 15,546                               | 11,066                               | 16,660                               | 33,084                               | 32,206                               | 44,150                               |
| Other income, gains and losses   | 3     | 11,770                               | 13,381                               | (277)                                | 61                                   | 11,493                               | 13,442                               |
| Impairment losses under expected credit loss model,<br>net of reversal | 4     | (37,566)                             | (31,704)                             | 4,319                                | (5,390)                              | (33,247)                             | (37,094)                             |
| Selling and distribution expenses                                      |       | –                                    | –                                    | (6,878)                              | (14,713)                             | (6,878)                              | (14,713)                             |
| Administrative expenses  |       | (45,622)                             | (52,497)                             | (4,715)                              | (23,827)                             | (50,337)                             | (76,324)                             |
| Other expenses   |       | (156)                                | –                                    | (12)                                 | (2,138)                              | (168)                                | (2,138)                              |
| Fair value losses on investment properties, net                        |       | (140,790)                            | (245,912)                            | –                                    | –                                    | (140,790)                            | (245,912)                            |
| Impairment of goodwill   |       | (22,056)                             | (331)                                | –                                    | –                                    | (22,056)                             | (331)                                |
| Impairment of intangible assets  |       | (315,184)                            | (423,816)                            | –                                    | –                                    | (315,184)                            | (423,816)                            |
| Gain on disposal of subsidiaries                                       |       | –                                    | –                                    | 218                                  | 52,660                               | 218                                  | 52,660                               |
| Gain on disposal of a joint venture                                    |       | –                                    | –                                    | –                                    | 8,537                                | –                                    | 8,537                                |
| Share of (losses)/profits of joint ventures                            |       | (5,631)                              | 14,171                               | –                                    | (5,945)                              | (5,631)                              | 8,226                                |
| Finance costs  | 6     | (130,862)                            | (123,950)                            | (2,159)                              | (3,849)                              | (133,021)                            | (127,799)                            |
| <b>(LOSS)/PROFIT BEFORE TAX</b>  |       | <b>(670,551)</b>                     | <b>(839,592)</b>                     | <b>7,156</b>                         | <b>38,480</b>                        | <b>(663,395)</b>                     | <b>(801,112)</b>                     |
| Income tax credit/(expense)  | 7     | 78,780                               | 105,709                              | (350)                                | (1,080)                              | 78,430                               | 104,629                              |
| <b>(LOSS)/PROFIT FOR THE YEAR</b>                                      | 5     | <b>(591,771)</b>                     | <b>(733,883)</b>                     | <b>6,806</b>                         | <b>37,400</b>                        | <b>(584,965)</b>                     | <b>(696,483)</b>                     |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

|   | Continuing Operations |                 | Discontinued Operations |                 | Total                 |                       |
|---|-----------------------|-----------------|-------------------------|-----------------|-----------------------|-----------------------|
|   | Year ended            | Year ended      | Year ended              | Year ended      | Year ended            | Year ended            |
|   | 31.12.2019            | 31.12.2018      | 31.12.2019              | 31.12.2018      | 31.12.2019            | 31.12.2018            |
| Note  | <i>HK\$'000</i>       | <i>HK\$'000</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i>       |
| Loss for the year attributable to owners of the Group       |                       |                 |                         |                 |                       |                       |
| – from continuing operations                                |                       |                 |                         |                 | (447,284)             | (552,809)             |
| – from discontinued operations                              |                       |                 |                         |                 | <u>6,524</u>          | <u>35,738</u>         |
| Loss for the year attributable to owners of the Group       |                       |                 |                         |                 | <u>(440,760)</u>      | <u>(517,071)</u>      |
| Loss for the year attributable to non-controlling interests |                       |                 |                         |                 |                       |                       |
| – from continuing operations                                |                       |                 |                         |                 | (144,487)             | (181,074)             |
| – from discontinued operations                              |                       |                 |                         |                 | <u>282</u>            | <u>1,662</u>          |
| Loss for the year attributable to non-controlling interests |                       |                 |                         |                 | <u>(144,205)</u>      | <u>(179,412)</u>      |
| <b>(LOSS)/EARNINGS PER SHARE</b>                            | 9                     |                 |                         |                 |                       |                       |
| From continuing and discontinued operations                 |                       |                 |                         |                 |                       |                       |
| Basic and diluted   |                       |                 |                         |                 | <u>(HK7.42 cents)</u> | <u>(HK8.70 cents)</u> |
| From continuing operations                                  |                       |                 |                         |                 |                       |                       |
| Basic and diluted   |                       |                 |                         |                 | <u>(HK7.53 cents)</u> | <u>(HK9.30 cents)</u> |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i><br>(Restated) |
|--|-------------------------|---------------------------------------|
| <b>LOSS FOR THE YEAR</b>   | <b>(584,965)</b>        | (696,483)                             |
| <b>OTHER COMPREHENSIVE (EXPENSES)/INCOME:</b>  |                         |                                       |
| <i>Items that will not be reclassified to profit or loss:</i>  |                         |                                       |
| Fair value loss on investment in equity instrument<br>at fair value through other comprehensive income | (16,622)                | (42,111)                              |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                                  |                         |                                       |
| Exchange differences on translation of foreign operations  | (10,027)                | (34,535)                              |
| Reclassification adjustments for foreign operations disposed<br>of during the year                     | <u>2,603</u>            | <u>(10,608)</u>                       |
| Other comprehensive expense for the year, net  | <u>(24,046)</u>         | <u>(87,254)</u>                       |
| <b>TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR</b>   | <b><u>(609,011)</u></b> | <b><u>(783,737)</u></b>               |
| Total comprehensive expenses attributable to:  |                         |                                       |
| Owners of the Company  | (464,530)               | (602,186)                             |
| Non-controlling interests  | <u>(144,481)</u>        | <u>(181,551)</u>                      |
|  | <b><u>(609,011)</u></b> | <b><u>(783,737)</u></b>               |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

|  | <i>Notes</i> | <b>2019</b><br><b>HK\$'000</b> | 2018<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>NON-CURRENT ASSETS</b>  |              |                                |                         |
| Property, plant and equipment                                      |              | <b>2,995</b>                   | 20,495                  |
| Right-of-use assets  |              | <b>2,448</b>                   | –                       |
| Prepaid land lease payments  |              | –                              | 6,466                   |
| Investment properties  |              | <b>19,712</b>                  | 1,707,264               |
| Goodwill   |              | –                              | 29,285                  |
| Intangible assets  |              | <b>225,000</b>                 | 540,776                 |
| Investments in joint ventures                                      |              | <b>59,618</b>                  | 65,249                  |
| Equity instrument at fair value through other comprehensive income |              | –                              | 16,622                  |
| Other asset  |              | –                              | 2,680                   |
| Prepayments and deposits   |              | <b>229</b>                     | 5,285                   |
| Finance lease receivables  | 12           | <b>49,253</b>                  | 22,340                  |
|  |              | <b>359,255</b>                 | 2,416,462               |
| <b>CURRENT ASSETS</b>  |              |                                |                         |
| Inventories  |              | –                              | 11                      |
| Contract costs   |              | <b>285,352</b>                 | 289,918                 |
| Trade receivables  | 11           | <b>21,245</b>                  | 31,437                  |
| Prepayments, deposits and other receivables                        |              | <b>17,376</b>                  | 53,915                  |
| Finance lease receivables  | 12           | <b>90,674</b>                  | 8,807                   |
| Promissory note receivable   |              | <b>62,300</b>                  | 89,000                  |
| Amounts due from joint ventures                                    |              | <b>128,394</b>                 | 158,640                 |
| Bank balances and cash   |              | <b>33,051</b>                  | 40,484                  |
|  |              | <b>638,392</b>                 | 672,212                 |
| Assets classified as disposal group held for sale                  |              | <b>1,528,468</b>               | –                       |
|  |              | <b>2,166,860</b>               | 672,212                 |

|  | <i>Note</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| <b>CURRENT LIABILITIES</b>                             |             |                                |                         |
| Trade payables   | 13          | <b>8,550</b>                   | 8,720                   |
| Other payables and accruals                            |             | <b>127,487</b>                 | 99,854                  |
| Lease liabilities                                      |             | <b>1,492</b>                   | –                       |
| Interest-bearing bank and other borrowings             |             | <b>202,634</b>                 | 487,573                 |
| Loans from related companies                           |             | <b>206,979</b>                 | –                       |
| Loans from joint ventures                              |             | <b>13,343</b>                  | 8,736                   |
| Loans from non-controlling shareholders                |             | <b>32,189</b>                  | –                       |
| Tax payable  |             | <b>2,454</b>                   | 3,226                   |
|  |             | <b>595,128</b>                 | 608,109                 |
| Liabilities classified as disposal group held for sale |             | <b>1,208,635</b>               | –                       |
|  |             | <b>1,803,763</b>               | 608,109                 |
| <b>NET CURRENT ASSETS</b>                              |             | <b>363,097</b>                 | 64,103                  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |             | <b>722,352</b>                 | 2,480,565               |
| <b>NON-CURRENT LIABILITIES</b>                         |             |                                |                         |
| Lease liabilities                                      |             | <b>904</b>                     | –                       |
| Interest-bearing bank and other borrowings             |             | <b>195,861</b>                 | 1,196,598               |
| Loans from related companies                           |             | <b>815,626</b>                 | 564,982                 |
| Loans from non-controlling shareholders                |             | –                              | 307,779                 |
| Deferred tax liabilities                               |             | <b>56,482</b>                  | 135,770                 |
|  |             | <b>1,068,873</b>               | 2,205,129               |
| <b>NET (LIABILITIES)/ASSETS</b>                        |             | <b>(346,521)</b>               | 275,436                 |
| <b>CAPITAL AND RESERVES</b>                            |             |                                |                         |
| Share capital  |             | <b>2,234,815</b>               | 2,234,815               |
| Other reserves   |             | <b>(2,616,694)</b>             | (2,152,164)             |
| Equity attributable to owners of the Company           |             | <b>(381,879)</b>               | 82,651                  |
| Non-controlling interests                              |             | <b>35,358</b>                  | 192,785                 |
|  |             | <b>(346,521)</b>               | 275,436                 |

NOTES:

**1.1 SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**1.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

|                       |  |
|-----------------------|--|
| HKFRS 16              | Leases   |
| HK(IFRIC) – Int 23    | Uncertainty over Income Tax Treatments               |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation       |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement            |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2015–2017 Cycle        |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**HKFRS 16 *Leases***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases in the PRC was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates is 4.75%.

|   | <b>At 1 January<br/>2019<br/>HK\$'000</b> |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018                  | 7,046                                     |
| Less: Recognition exemption – short-term leases                               | <u>(777)</u>                              |
| Operating leases commitment as at 1 January 2019                              | <u>6,269</u>                              |
| Lease liabilities as at 1 January 2019 discounted at relevant borrowing rates | <u><u>6,088</u></u>                       |
| Analysed as:  |   |
| Current   | 3,662                                     |
| Non-current   | <u>2,426</u>                              |
|   | <u><u>6,088</u></u>                       |

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

|  | <i>Notes</i> | <b>Right-of-use<br/>assets<br/>HK\$'000</b> |
|--|--------------|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 |              | 6,088                                       |
| Reclassified from prepaid land lease payment   | (a)          | 6,667                                       |
| Adjustments on rental deposits at 1 January 2019   | (b)          | <u>52</u>                                   |
|  |              | <u><u>12,807</u></u>                        |

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments amounting to approximately HK\$6,466,000 and HK\$201,000 respectively were reclassified to right-of-use assets.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK\$52,000 was adjusted to refundable rental deposits paid and right-of-use assets.

***As a lessor***

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. The discounting effect had no material impact on the consolidated financial statement of the Group.

Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.



### ***Sales and leaseback transactions***

#### *The Group acts as a buyer-lessor*

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. The application of HKFRS 16 as a buyer-lessor has no material impact on the consolidated financial statements of the Group for the current year as there is no new sales and leaseback arrangement commenced during the year.

The application of HKFRS 16 has no material impact on accumulated losses at 1 January 2019.

### ***Interests in joint ventures***

The application of HKFRS 16 has no material impact on the carrying amounts of interests in joint ventures as at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

|  |              | Carrying<br>amounts<br>previously<br>reported at<br>31 December<br>2018<br><i>HK\$'000</i> | Adjustments<br><i>HK\$'000</i> | Carrying<br>amounts under<br>HKFRS 16<br>at 1 January<br>2019<br><i>HK\$'000</i> |
|--|--------------|--|--------------------------------|--|
|  | <i>Notes</i> |  |                                |  |
| <b>Non-current Assets</b>                  |              |  |                                |  |
| Prepaid lease payments                     | (a)          | 6,466  | (6,466)                        | –  |
| Right-of-use assets                        |              | –  | 12,807                         | <b>12,807</b>  |
| Prepayments and deposits                   | (b)          | 5,285  | (9)                            | <b>5,276</b>   |
| <b>Current Assets</b>                      |              |  |                                |  |
| Prepayment, deposits and other receivables | (a), (b)     | 53,915   | (244)                          | <b>53,671</b>  |
| <b>Current Liabilities</b>                 |              |  |                                |  |
| Lease liabilities                          |              | –  | 3,662                          | <b>3,662</b>   |
| <b>Non-current Liabilities</b>             |              |  |                                |  |
| Lease liabilities                          |              | –  | 2,426                          | <b>2,426</b>   |

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

The application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statements of profit or loss and other comprehensive income and cash flows for the current year.

***New and amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

|  |  |
|--|--|
| HKFRS 17                                   | Insurance Contracts <sup>1</sup>   |
| Amendments to HKFRS 3                      | Definition of a Business <sup>2</sup>  |
| Amendments to HKFRS 10 and HKAS 28         | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to HKAS 1 and HKAS 8            | Definition of Material <sup>4</sup>  |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform <sup>4</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned above, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## **2. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has following reporting segments as follows:

- (a) Management and operation of LED EMC;
- (b) Provision of finance lease and loan services and property investment; and
- (c) Provision of land development services.

Major line of business in the sales of compressed natural gas ("CNG") and petroleum products was discontinued during the year. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 8. The comparative figures in the consolidated statement of profit or loss have been restated to exclude the sales of CNG and petroleum products operation in segment results respectively.

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that gain on disposal of other asset, impairment of amount due from a joint venture and certain finance costs, depreciation and amortization, as well as head office and corporate expenses are excluded from such measurement.

The following table presents revenue and profit (loss) for the Group's primary segment for the year ended 31 December 2019 and 2018.

**Year ended 31 December 2019**

|   | <b>Management<br/>and operation<br/>of LED EMC<br/>HK\$'000</b> | <b>Provision of<br/>finance lease<br/>and loan services<br/>and property<br/>investment<br/>HK\$'000</b> | <b>Provision<br/>of land<br/>development<br/>services<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|---|--|--|---------------------------|
| <b>Continuing operations</b>                                    |   |  |  |                           |
| <b>Segment revenue:</b>   |   |  |  |                           |
| Leases  | –   | 15,546   | –  | 15,546                    |
| <b>Segment results</b>  | <b>(5,641)</b>  | <b>(245,208)</b>   | <b>(364,517)</b>   | <b>(615,366)</b>          |
| <i>Reconciliation:</i>  |   |  |  |                           |
| Finance costs – unallocated                                     |   |  |  | (43,448)                  |
| Unallocated other gain  |   |  |  | 3,195                     |
| Corporate and other unallocated expenses                        |   |  |  | (14,932)                  |
| Loss before tax from continuing operations                      |   |  |  | (670,551)                 |
| Income tax credit   |   |  |  | 78,780                    |
| Loss for the year from continuing operations                    |   |  |  | <u>(591,771)</u>          |
| <b>Other segment information:</b>                               |   |  |  |                           |
| Interest income   | –   | 107  | 1,914  | 2,021                     |
| Depreciation and amortisation                                   | –   | (20)   | (233)  | (253)                     |
| Depreciation and amortisation – unallocated                     |   |  |  | (3,913)                   |
| Gain on disposal of other asset – unallocated                   |   |  |  | 3,195                     |
| Share of losses of joint ventures                               | (5,631)   | –  | –  | (5,631)                   |
| Impairment of goodwill  | –   | (22,056)   | –  | (22,056)                  |
| Impairment of trade receivables                                 | –   | –  | (3,809)  | (3,809)                   |
| Impairment of other receivables and promissory note receivables | –   | (57)   | (26,700)   | (26,757)                  |
| Impairment of finance lease receivables                         | –   | (3,000)  | –  | (3,000)                   |
| Impairment of amount due from a joint venture – unallocated     |   |  |  | (4,000)                   |
| Impairment of intangible assets                                 | –   | –  | (315,184)  | (315,184)                 |
| Finance costs   | –   | (73,789)   | (13,625)   | (87,414)                  |
| Fair value losses on investment properties, net                 | –   | (140,790)  | –  | (140,790)                 |
| Capital expenditure*  | –   | (627)  | –  | (627)                     |

\* *Capital expenditure consists of additions to property, plant and equipment.*

Year ended 31 December 2018

|   | Management<br>and operation<br>of LED EMC<br><i>HK\$'000</i> | Provision<br>of finance<br>lease and<br>loan services<br>and property<br>investment<br><i>HK\$'000</i> | Provision<br>of land<br>development<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--|--|--|--------------------------|
| <b>Continuing operations</b>                    |  |  |  |                          |
| <b>Segment revenue:</b>                         |  |  |  |                          |
| Leases  | –  | 11,066   | –  | 11,066                   |
| <b>Segment results</b>                          | 14,907   | (333,019)  | (464,453)  | (782,565)                |
| <i>Reconciliation:</i>                          |  |  |  |                          |
| Finance costs – unallocated                     |  |  |  | (50,350)                 |
| Corporate and other unallocated expenses        |  |  |  | (6,677)                  |
| Loss before tax from continuing operations      |  |  |  | (839,592)                |
| Income tax credit                               |  |  |  | 105,709                  |
| Loss for the year from continuing operations    |  |  |  | <u>(733,883)</u>         |
| <b>Other segment information:</b>               |  |  |  |                          |
| Interest income                                 | 782  | 215  | 1,932  | 2,929                    |
| Depreciation and amortisation                   | –  | (469)  | (296)  | (765)                    |
| Depreciation and amortisation – unallocated     |  |  |  | (404)                    |
| Share of profit of joint ventures               | 14,171   | –  | –  | 14,171                   |
| Impairment of goodwill                          | –  | –  | (331)  | (331)                    |
| Impairment of trade receivables                 | –  | –  | (31,704)   | (31,704)                 |
| Impairment of intangible assets                 | –  | –  | (423,816)  | (423,816)                |
| Finance costs                                   | –  | (71,226)   | (2,374)  | (73,600)                 |
| Fair value losses on investment properties, net | –  | (245,912)  | –  | (245,912)                |
| Capital expenditure – unallocated*              |  |  |  | <u>(55)</u>              |

\* *Capital expenditure consists of additions to property, plant and equipment.*

### 3. REVENUE AND OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's revenue and other income, gains and losses is as follows:

#### Continuing Operations

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Revenue</b>                                    |                         |                         |
| Interest income on finance leases and loans       | <u>15,546</u>           | <u>11,066</u>           |
| <b>Other income</b>                               |                         |                         |
| Interest income                                   | 107                     | 233                     |
| Loan interest income                              | –                       | 782                     |
| Promissory note interest income                   | 1,914                   | 1,914                   |
| Gross rental income                               | <u>1,217</u>            | <u>1,124</u>            |
| <b>Sub-total</b>                                  | <u>3,238</u>            | <u>4,053</u>            |
| <b>Other gains and losses, net</b>                |                         |                         |
| Exchange gain, net                                | 5,263                   | 4,715                   |
| Gain on disposal of other asset                   | 3,195                   | –                       |
| Gain on disposal of property, plant and equipment | –                       | 783                     |
| Others  | <u>74</u>               | <u>3,830</u>            |
| <b>Sub-total</b>                                  | <u>8,532</u>            | <u>9,328</u>            |
| <b>Total</b>                                      | <u><u>11,770</u></u>    | <u><u>13,381</u></u>    |

### 4. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

|                                   | Year ended 31 December  |                         |
|-----------------------------------|-------------------------|-------------------------|
|                                   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
| <b>Continuing operations</b>      |                         |                         |
| Impairment losses recognised on:  |                         |                         |
| — Trade receivables               | 3,809                   | 31,704                  |
| — Other receivables               | 57                      | –                       |
| — Promissory note receivable      | 26,700                  | –                       |
| — Amount due from a joint venture | 4,000                   | –                       |
| — Finance lease receivables       | <u>3,000</u>            | <u>–</u>                |
|                                   | <u><u>37,566</u></u>    | <u><u>31,704</u></u>    |

## 5. LOSS FOR THE YEAR

The Group's loss for the year from continuing operations has been arrived at after charging:

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Auditor's remuneration  | 1,100                   | 1,380                   |
| Depreciation on property, plant and equipment                                       | 425                     | 1,169                   |
| Depreciation of right-of-use assets   | 3,741                   | –                       |
| Employee benefit expense (excluding directors' and chief executive's remuneration): |                         |                         |
| Wages, salaries, allowances and benefits in kind                                    | 10,002                  | 12,033                  |
| Pension scheme contributions  | 114                     | 131                     |
|   | <u>10,116</u>           | <u>12,164</u>           |

## 6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Continuing operations</b>                                  |                         |                         |
| Interests on bank and other borrowings                        | 88,708                  | 66,965                  |
| Interest on convertible bonds                                 | –                       | 15,882                  |
| Interests on loans from related companies                     | 31,808                  | 28,216                  |
| Interests on loans from non-controlling shareholders          | 5,646                   | 11,385                  |
| Interests on lease liabilities/obligation under finance lease | 209                     | 27                      |
| Amortisation of financing arrangement fees                    | 4,491                   | 1,475                   |
|   | <u>130,862</u>          | <u>123,950</u>          |

## 7. INCOME TAX (CREDIT)/EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong in both years. Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Continuing Operations</b>                   |                         |                         |
| Current – Mainland China Enterprise Income Tax |                         |                         |
| Charge for the year                            | 16                      | 245                     |
| Deferred tax credit                            | <u>(78,796)</u>         | <u>(105,954)</u>        |
|  | <u><u>(78,780)</u></u>  | <u><u>(105,709)</u></u> |

## 8. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

- (a) On 12 July 2019, the Group entered into a share transfer agreement with a substantial shareholder of Chengdu Sinogas Company Limited (成都潔能環保科技有限公司) (“**Chengdu Sinogas**”), an indirect non-wholly owned subsidiary of the Group, for the disposal of Crystal Concept Investments Limited and its subsidiaries (collectively referred to as “**Crystal Concept**”), which carried out all of the Group’s sales of compressed natural gas (“**CNG**”) and petroleum products operations. The disposal was completed on 17 September 2019, on which date of control of certain subsidiaries passed to the acquirer.

The loss/profit for the period/year from the discontinued sales of CNG and petroleum products operation is set out below. The comparative figures in the consolidated statement of profit or loss and consolidated statement of other comprehensive income have been restated to re-present the sales of CNG and petroleum products operation as a discontinued operation.

|   | Period ended<br>17 September<br>2019<br><i>HK\$'000</i> | Year ended<br>31 December<br>2018<br><i>HK\$'000</i> |
|---|---|--|
| Profit/(loss) of CNG and petroleum products operation for the period/year | 6,588   | (15,260)   |
| Gain on disposal of CNG and petroleum products operation                  | <u>218</u>  | <u>52,660</u>  |
|   | <u><u>6,806</u></u>                                     | <u><u>37,400</u></u>                                 |

The results of the sales of CNG and petroleum products operations for the period from 1 January 2019 to 17 September 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

|  | <b>Period ended<br/>17 September<br/>2019<br/>HK\$'000</b> | Year ended<br>31 December<br>2018<br>HK\$'000 |
|--|--|---|
| Revenue – Contracts with customers   | <b>46,873</b>  | 128,756                                       |
| Cost of sales  | <b>(30,213)</b>  | (95,672)                                      |
| Gross profit   | <b>16,660</b>  | 33,084  |
| Other income, gains and losses   | <b>(277)</b>   | 61  |
| Impairment losses under expected credit loss model,<br>net of reversal         | <b>4,319</b>   | (5,390)                                       |
| Selling and distribution expenses  | <b>(6,878)</b>   | (14,713)                                      |
| Administrative expenses  | <b>(4,715)</b>   | (23,827)                                      |
| Other expenses   | <b>(12)</b>  | (2,138)                                       |
| Finance costs  | <b>(2,159)</b>   | (3,849)                                       |
| Gain on disposal of a joint venture  | –  | 8,537   |
| Share of losses of joint ventures  | –  | (5,945)                                       |
| Profit before tax  | <b>6,938</b>   | (14,180)                                      |
| Income tax expense   | <b>(350)</b>   | (1,080)                                       |
| Profit of sales of CNG and petroleum products operation<br>for the period/year | <b>6,588</b>   | (15,260)                                      |
| Gain on disposal of subsidiaries   | <b>218</b>   | 52,660  |
| Profit for the period/year   | <b>6,806</b>   | 37,400  |

**Profit for the period/year from discontinued operations includes the followings:**

|   | <b>Period ended<br/>17 September<br/>2019<br/>HK\$'000</b> | Year ended<br>31 December<br>2018<br>HK\$'000 |
|---|--|---|
| Loss on disposal of property, plant and equipment                         | –  | (89)  |
| Impairment loss recognised in respect of property,<br>plant and equipment | <b>(339)</b>   | (2)   |
| Auditor's remuneration  | –  | –   |
| Depreciation of property, plant and equipment                             | <b>(2,252)</b>   | (6,475)                                       |
| Depreciation of right-of-use assets                                       | <b>(135)</b>   | –   |
| Amortisation of intangible assets   | <b>(46)</b>  | (47)  |

During the year ended 31 December 2019, Crystal Concept paid HK\$2.83 million (2018: HK\$59.66 million) to the Group's net operating cash flows, contributed HK\$10.52 million (2018: HK\$41.17 million) in respect of investing activities and paid HK\$3.38 million (2018: HK\$6.91 million) in respect of financing activities.



All CNG and petroleum products are delivered within periods of less than one year. As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts is not disclosed.

**Sales of CNG and petroleum products (revenue recognised at one point in time)**

The revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the CNG stations. For retail customers, payment of the transaction price is due immediately at the point the customer purchases the goods. For corporate customers, the payment terms are mainly on credit and the credit period is generally 90 to 120 days.

- (b) During the year ended 31 December 2019, the directors resolved to dispose of one of the Group's property investment operations. The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the property investment operations as at 31 December 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

|  | <b>31 December<br/>2019<br/>HK\$'000</b> |
|--|--|
| Property, plant and equipment                          | 1,672                                    |
| Investment properties                                  | 1,519,280                                |
| Prepayments, deposits and other receivables            | 6,507                                    |
| Bank balances and cash                                 | 1,009                                    |
|  | <hr/>                                    |
| Assets classified as disposal group held for sale      | <b>1,528,468</b>                         |
|  | <hr/> <hr/>                              |
| Trade payables and accrued expenses                    | (1,891)                                  |
| Loan from related companies                            | (75,040)                                 |
| Bank borrowings  | (1,131,704)                              |
|  | <hr/>                                    |
| Liabilities classified as disposal group held for sale | <b>(1,208,635)</b>                       |
|  | <hr/> <hr/>                              |

Subsequent to the end of the reporting period, the Group has entered into an equity transaction agreement with an independent third party for the disposal of property investment operations.

## 9. (LOSS)/EARNINGS PER SHARE

### For continuing operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$447,284,000 (2018: HK\$552,809,000), and the weighted average number of ordinary shares of 5,943,745,741 (2018: 5,943,745,741) in issue during the year.

### From discontinued operations

The basic and diluted earnings per share from the discontinued operations are HK0.11 cents (2018: HK0.60 cents). The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$6,524,000 (2018: HK\$35,738,000), and the weighted average number of ordinary shares of 5,943,745,741 (2018: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution for continuing operations, from continuing and discontinued operations, and from discontinued operations respectively as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

### From continuing and discontinued operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$440,760,000 (2018: HK\$517,071,000), and the weighted average number of ordinary shares of 5,943,745,741 (2018: 5,943,745,741) in issue during the year.

## 10. DIVIDEND

The directors do not recommend the payment of dividend to shareholders for the year ended 31 December 2019 (2018: Nil).

## 11. TRADE RECEIVABLES

|                                   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Trade receivables                 | 56,134                  | 65,090                  |
| Less: Allowance for credit losses | <u>(34,889)</u>         | <u>(33,653)</u>         |
|                                   | <u><u>21,245</u></u>    | <u><u>31,437</u></u>    |

The Group's trading terms with its other trade customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

As at 31 December 2019, certain trade receivables with aggregate carrying amounts of HK\$nil (2018: HK\$1,757,000) were pledged to secure a loan advanced from a third party.

An aging analysis of the gross trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

|                    | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| 0 to 90 days       | –                       | 3,714                   |
| 91 to 120 days     | –                       | 1                       |
| 121 days to 1 year | –                       | 5                       |
| Over 1 year        | <u>56,134</u>           | <u>61,370</u>           |
|                    | <u><u>56,134</u></u>    | <u><u>65,090</u></u>    |

## 12. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

|  | Minimum lease<br>payments |                         | Present value of minimum<br>lease payments |                         |
|--|---------------------------|-------------------------|--|-------------------------|
|  | 2019<br><i>HK\$'000</i>   | 2018<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i>                    | 2018<br><i>HK\$'000</i> |
| Finance lease receivables comprise:          |                           |                         |  |                         |
| Within one year                              | 100,716                   | 12,412                  | 93,674                                     | 8,807                   |
| In the second years                          | 27,726                    | 12,412                  | 25,791                                     | 9,786                   |
| In the third year                            | 22,804                    | 9,493                   | 21,544                                     | 7,773                   |
| In the fourth year                           | <u>2,541</u>              | <u>6,192</u>            | <u>1,918</u>                               | <u>4,781</u>            |
|  | 153,787                   | 40,509                  | <u><u>142,927</u></u>                      | <u><u>31,147</u></u>    |
| Less: unearned finance income                | (10,860)                  | (9,362)                 |  |                         |
| Less: impairment loss recognised in the year | <u>(3,000)</u>            | –                       |  |                         |
| Present value of minimum lease payments      | <u>139,927</u>            | <u>31,147</u>           |  |                         |
| Analysed for reporting purposes as:          |                           |                         |  |                         |
| Current assets                               | 90,674                    | 8,807                   |  |                         |
| Non-current assets                           | <u>49,253</u>             | <u>22,340</u>           |  |                         |
|  | <u><u>139,927</u></u>     | <u><u>31,147</u></u>    |  |                         |

The Group's finance lease receivables are denominated in Renminbi (“RMB”), which is the functional currency of the relevant group entity.

At 31 December 2019, the Group's finance lease receivables with a carrying amount of HK\$139,927,000 (2018: HK\$31,147,000) were pledged as security for the Group's certain bank loans.

### 13. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|                | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 90 days | –                              | 7,548                   |
| 91 to 120 days | –                              | 1                       |
| Over 120 days  | <u>8,550</u>                   | <u>1,171</u>            |
|                | <u><b>8,550</b></u>            | <u>8,720</u>            |

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the results of the Group for the year ended 31 December 2019 (the “Year”).

During the Year, the Group continued to face intense competition in China's market, which, coupled with such factors as changes in policies in the recent years in China and the limited opportunities for growth offered in the market, raised difficulty for the Group's business operations and profitability. The Group continued to push forward the withdrawal strategy of the gas business and completed the sale of the remaining gas business during the Year. At the same time, in order to reduce the financial burden of the Group and develop the Group's current business, the Company has decided to cash out through the disposal of the large properties in Shanghai. The disposal was realized through public bidding on the Shanghai United Assets and Equity Exchange Co., Ltd. (上海聯合產權交易所有限公司) (“SUAEE”) to obtain a fair and better sale price. The proceeds from the disposal will be used to repay some of the Group's interest-bearing debts and for future business development and as general working capital.

The consolidated revenue of the Group decreased from approximately HK\$139.8 million for the year ended 31 December 2018 to approximately HK\$62.4 million for the Year. Affected by the impairment losses recognized in land development project and the loss on changes in fair value of investment properties, the Group made a loss attributable to the owners of the Company of approximately HK\$440.8 million for the Year (2018: approximately HK\$517.1 million).

For the Year, the Group strongly developed the finance lease business of its subsidiary Guangdong Zi Yu Tai Finance Leasing Company Limited (廣東資雨泰融資租賃有限公司) (“Zi Yu Tai”), which recorded a turnover of approximately HK\$15.5 million (2018: approximately HK\$11.1 million), increased by approximately HK\$4.4 million or 39.6% from the previous year. During the Year, Zi Yu Tai signed contracts in respect of finance lease projects with hospitals and institutions in many provinces in China, including Tianjin Jizhou Hospital (天津市薊州區人民醫院), Shanghai Runda Medical Technology Co., Ltd. (上海潤達醫療科技股份有限公司), Zhongshan Shixing Decoration Co., Ltd. (中山市時興裝飾有限公司) and Hubei Munianhua Furniture Co., Ltd. (湖北木年華家居有限公司). For details, please refer to the announcements of the Company dated 17 April 2019, 27 November 2019 and 29 November 2019, respectively. The performance of this business segment is better than expected. The Group will continue to devote itself to developing relevant finance lease projects with a focus on the finance lease of medical equipment, and sunrise industry equipment such as 5G and Internet Data Center (IDC). Its main customers are domestic public hospitals, high-quality listed companies and private enterprises with good growth momentum.

During the Year, the Group's business in Fuqing City, Fujian Province did not record sales revenue. The development of the Class 1 land Central New Coastal City (the "**Project Land**") and the construction of Ronggang Avenue (collectively referred to as the "**Project**") involve a total of 3,990 mu of land available to be developed for commercial and residential uses. Due to changes in relevant domestic laws and regulations and changes in the government's attitude towards the Project, the development of the Project is suspended. The Group has been continuously communicating with the local government through litigation and other methods in order to solve the problems faced by the Project as soon as possible. The Group will continue its efforts in the future to promote the restart and development of the Project as soon as possible.

The Group has adjusted its business segments in 2019 according to business needs and will continue to strengthen its management system and optimize its personnel structure, so as to gradually improving the development of the Company's various businesses. Although since the end of 2019, both China's economy and the global economy have been affected by the novel coronavirus pneumonia ("**COVID-19**") outbreak, showing foreseeable economic worries, which caused impact on the Group's domestic business operations, the Group is still optimistic about the development of China's economy. On the basis of continuously promoting the development of Zi Yu Tai's finance lease business, the Group will find ways to solve the operation dilemma of the Project Land in Fujian as soon as possible, actively seek new business growth points to expand new businesses, continuously optimize the Company's business structure, and enhance the profitability of the Group.

Looking into the coming year, the Group will continue to look for ways to improve its efficiency of resources allocation, strengthen its capital structure, and seek potential acquisition and business opportunities to enhance the value enjoyed by the shareholders of the Company (the "**Shareholders**").

Finally, I would also like to extend my appreciation to all the Shareholders, the Board, the management team, employees and stakeholders for their support to the Group during the Year.

**Wu Xiaodong**  
*Chairman*

Hong Kong  
30 March 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

During the Year, the principal business activities of the Group comprise provision of finance lease and loan services and property investment; the operation of compressed natural gas (“CNG”) refueling stations; management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”) through its investment in a joint venture and provision of Class 1 land development services in the People’s Republic of China (the “PRC” or “China”).

During the Year, the consolidated revenue of the Group amounted to approximately HK\$62.4 million (2018: approximately HK\$139.8 million), representing a decrease of approximately HK\$77.4 million as compared with last year, which was mainly attributable to the decrease in revenue from the gas business segment.

The Group’s gross profit for the Year was approximately HK\$32.2 million (2018: approximately HK\$44.2 million), representing a decrease of 27.1% as compared with last year.

The net loss of the Group was approximately HK\$585.0 million during the Year, representing a decrease of approximately HK\$111.5 million as compared with the net loss of approximately HK\$696.5 million last year. The decrease in net loss was mainly attributable to (i) a total provision of approximately HK\$315.2 million in net intangible assets; (ii) a fair value loss of approximately HK\$140.8 in the Group’s investment properties; and (iii) finance costs of approximately HK\$133.0 million during the Year.

### Operational Review

#### **(1) Gas Business**

The Group continued its restructuring plan in gas business since late 2014, and sold the gas company in Chengdu during the Year, plus the gas companies in Shandong and Xuzhou sold in 2018 and the gas businesses sold in previous years, the Group has thus completed the withdrawal from all gas businesses. Since the disposed companies will be deconsolidated from the Group, the total revenue of the gas business reduced to HK\$46.9 million (2018: approximately HK\$128.8 million) during the Year, representing a decline of 63.6% as compared with last year. In 2019, the gas business segment recorded profit of approximately HK\$6.8 million (2018: HK\$37.4 million).

#### **(2) Finance Lease and Loan Services and Property Investment Business**

During the Year, the LED finance lease business is no longer the main direction of the Group’s finance lease business development, and the existing LED finance lease projects were all signed in previous years. On the basis of no new project, with the continuous implementation and completion of the old projects, the interest income of LED finance lease contracts decreased.

Although interest income from LED finance lease contracts decreased, with the increase of finance lease projects conducted by the Group with other domestic hospitals and private institutions, the total turnover recorded for the Year increased to approximately HK\$15.5 million (2018: approximately HK\$11.1 million), representing an increase of 39.6%.

During the Year, the Group has decided to dispose of the commercial properties located in Shanghai. The disposal was realized through public bidding on the SUAEE to attract more potential investors and thus maximize the sale price. In recent years, the market price of Grade-A office buildings in Shanghai's core business district fluctuates sharply and reference is made to the circular of the Company dated 12 December 2019 (the "**Circular**"), it is estimated that the sale of the properties will record a loss of approximately HK\$190.0 million. Although the sale is expected to record a relatively large loss, it can avoid the significant long-term operating burden of continuing to hold the properties. The proceeds from the disposal can also be used to repay some interest-bearing debts of the Group so as to improve the overall asset and liability state of the Group.

### **(3) PPP Class 1 Land Development Business**

No sales revenue was recorded in the Group's business in Fuqing City, Fujian Province (2018: Nil).

During the Year, the loss of this segment decreased to approximately HK\$364.5 million (2018: approximately HK\$464.5 million), mainly due to the suspension of development of the Project and the impairment of intangible assets.

### **Business Outlook**

Affected by various unfavorable factors (such as the COVID-19 outbreak), industries around the world have suffered from hidden worries, weakened economic activities, and intensified business competition pressure. It is not easy to identify new business development directions, and it is also challenging to invest in new markets. Looking forward, despite the inevitable challenges and difficulties, the Group still has a positive attitude toward the development of China's economy. In the course of its business development, the Group will adopt a prudent and proactive development policy to continue to develop the existing businesses of the Company under the premise of controlling the business risks, and continue to look for new commercial investment opportunities to expand valuable new businesses.

In recent years, the Group has managed to optimize asset allocation and reduce investment losses through the sale of gas businesses with unsatisfactory development prospects and properties that continue to record losses. During the Year, the Group has disposed of the remaining gas businesses and sold the commercial properties of the Group's subsidiaries to increase liquidity and reduce financial pressure. Looking forward, the Group will continue to optimize and restructure its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the epidemic, the Group will strongly support the development of the finance lease business of its subsidiary Zi Yu Tai to provide finance lease services for related equipment to Chinese public hospitals, high-quality listed companies and private enterprises with good growth. On the premise of controlling the risks, the Group will focus on sunrise industries and continuously expand the finance lease market. As a result, the Group's business development in this direction is expected to continue to achieve sustainable and positive development.



In order to better control the development of the Project Land, the Group has completed the reorganization plan, appointed the Group's major operational management to directly monitor the development of the Project and develop business strategies to improve the efficiency of the development of the Project Land. However, due to some disputes between the Group and the local government of Fuqing City, the land development business is still being suspended, making it difficult to restart and develop. The Group's main operational management will continue to communicate with the local government, strive to restart and promote the development of the Project as soon as possible, and take appropriate countermeasures according to the communication and the progress of the Project.

### **Financial Resources**

As at 31 December 2019, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, loans from joint ventures, interest-bearing bank and other borrowings, loan from related companies, loans from non-controlling shareholders and liabilities classified as disposal group held for sale) amounted to approximately HK\$2,813.7 million (2018: approximately HK\$2,674.2 million). Cash and bank balances amounted to approximately HK\$33.1 million (2018: approximately HK\$40.5 million). Net debt amounted to approximately HK\$2,780.6 million (2018: approximately HK\$2,633.7 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK\$2,398.8 million (2018: approximately HK\$2,716.4 million), was 115.9% (2018: 97%).

During the Year, the Group was not materially exposed to foreign currency risk.

### **Dividend**

The Board does not recommend the payment of a final dividend for the Year (2018: Nil).

### **Staff Benefits**

As at 31 December 2019, the Group had a total of 41 employees (2018: 131). The staff costs for the Year amounted to approximately HK\$15.4 million (2018: approximately HK\$28 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change to staff remuneration policies during the Year.

### **Human Resources**

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group actively encouraged and subsidised staff to participate in job-related study, trainings and seminars as part of the welfare and incentive scheme. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan to their career development, which lays a solid foundation for sound and sustainable development of the Group.

## **Pledge of Assets**

As at 31 December 2019, the Group had pledged certain land use rights, trade receivables, properties and finance lease receivables for bank borrowings granted.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 12 July 2019, the Company, Crystal Concept Investments Limited (“**Crystal Concept**”), Favour King Holdings Limited (“**Favour King**”) and Winfield Innovations Group Limited entered into a share transfer agreement, pursuant to which, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the entire issued share capital of Crystal Concept, at a consideration of RMB35,840,000. The completion of the said share transfer agreement is subject to, among other things, the approval from the Shareholders at a general meeting in respect of the share transfer agreement and the transactions contemplated thereunder. On 12 September 2019, the resolution regarding the said share transfer agreement and the transactions contemplated thereunder was duly passed as an ordinary resolution of the Company at the general meeting of the Company. For details, please refer to the announcements of the Company dated 12 July 2019 and 12 September 2019 and the circular of the Company dated 28 August 2019.

Save as disclosed in this announcement, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or updates in relation thereto during the Year.

## **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

### **Very Substantial Disposal – Disposal of a subsidiary**

References are made to the announcements of the Company dated 14 November 2019, 31 December 2019 and 11 February 2020, and the circular of the Company dated 12 December 2019 in relation to the proposed disposal of the 100% equity interest in Shanghai Shangju Enterprise Co., Ltd. (上海商聚實業有限公司) (“**Shanghai Shangju**”), by way of public tender through an equity exchange.

On 4 February 2020, the Group entered into an equity transaction agreement (the “**Equity Transaction Agreement**”) with Hongshang Industry Holding Group Co., Ltd. (鴻商產業控股集團有限公司) (the “**Purchaser**”) in respect of the disposal of 100% equity interest in Shanghai Shangju and the credit right in the amount of RMB337,000,000 at an aggregate consideration of RMB337,010,000.

Upon completion, Shanghai Shangju will cease to be a subsidiary of the Company and the financial results of Shanghai Shangju and its subsidiaries will no longer be consolidated into the financial statements of the Group. For more details, please refer to the announcement dated 11 February 2020.

Save as disclosed in this announcement, there are no material events affecting the Group after the end of the Year.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year save as disclosed as follows.

References are made to the announcements of the Company dated 3 November 2016 and 17 November 2016 in relation to the placing of the convertible notes to six individual noteholders in the aggregate principal amount of HK\$140,000,000 (the "**Convertible Notes**").

On or prior to 31 December 2018, the Company redeemed from two out of the six noteholders their Convertible Notes in the aggregate principal amount of HK\$56,000,000. As at the date hereof, the Company repaid HK\$23,520,000 (representing 28% of the outstanding principal amount of HK\$84,000,000 of the Convertible Notes) in aggregate to the remaining four noteholders. The Company is currently in the course of negotiating with the remaining four noteholders on the repayment schedule of the outstanding principal amount of the Convertible Notes and accrued interest. Please refer to the Company's announcements dated 31 December 2018 and 27 March 2020 for details.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to pursuing strict and high standards of corporate governance since the Board believes that good corporate governance practices are essential to achieving the Group's objectives of enhancing corporate value as well as safeguarding the interests of the Shareholders.

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Year, save and except as disclosed hereunder:

- (i) code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to his resignation with effect from 9 January 2020, Mr. GUAN Liqun was an executive Director, the chief executive officer and the chairman of the Board. Mr. WU Xiaodong has been appointed as an executive Director, the chief executive officer and the chairman of the Board with effect from 9 January 2020. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

The Board considers that the deviation from code provision A.2.1 of the CG Code of the Company will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to separate the role of chief executive officers and chairman of the board. Appointment will be made to comply with code provision A.2.1 of the Code if necessary;

- (ii) code provision A.4.1 stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive Directors were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with the articles of association of the Company (the “**Articles of Association**”); and
- (iii) code provision D.1.4 stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transaction by its Directors. The Directors are required to strictly comply with the Model Code when dealing in the securities of the Company.

Following specific enquiry made by the Company, all the Directors confirmed their compliance with the required standards as set out in the Model Code during the Year.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this results announcement.

## **AUDIT OPINION**

The Company's external auditor has issued an unmodified opinion with a Material Uncertainty Related to Going Concern section in the independent auditor's report on the consolidated financial statements of the Group for the Year as set out below:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$585.0 million for the year ended 31 December 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$346.5 million. The Group's total borrowings and loans amounted to approximately HK\$2,673.3 million, out of which borrowings and loans of approximately HK\$1,380.0 million are due for repayment in the next twelve months from the date of approval of these consolidated financial statements. In order to improve the liquidity and financial position of the Group, the directors of the Company (i) have entered into an equity transaction agreement with an independent third party for the disposal of its entire interest in certain of its subsidiaries engaged in the property investment operations at a consideration of approximately HK\$374.1 million in February 2020; (ii) are negotiating with the counterparties to renew the existing loans from them; and (iii) are actively identifying alternative sources of funding. However, the ultimate success of the renewal of the existing loans or the likelihood of raising any new funds could not be determined as of the date of approval of these consolidated financial statements. Should the above financing be unavailable, the Group may be unable to operate on a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. These conditions, along with other

matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **REVIEW BY AUDIT COMMITTEE**

The final results of the Group for the Year have been reviewed by the audit committee of the Company.

#### **PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.avicjoyhk.com](http://www.avicjoyhk.com)). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the same websites in due course.

By order of the Board  
**AVIC Joy Holdings (HK) Limited**  
**WU Xiaodong**  
*Chairman, Executive Director and  
Chief Executive Officer*

Hong Kong, 30 March 2020

*As at the date of this announcement, the Board comprises Mr. WU Xiaodong (Chairman and Chief Executive Officer), Mr. ZHANG Zhibiao, Ms. WANG Ying and Ms. MU Yan; and Mr. JIANG Ping, Ms. WU Rui and Mr. GUO Wei as independent non-executive Directors.*