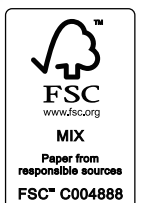




AVIC Joy Holdings (HK) Limited
幸福控股(香港)有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 260)

2021 Interim Report



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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2021 (the **"Period"**), the principal business activities of AVIC Joy Holdings (HK) Limited (the **"Company"** together with its subsidiaries, collectively the **"Group"**) comprise provision of finance lease and loan services and property investment; provision of the PPP Class 1 land development services; and management and operation of light-emitting diode (**"LED"**) energy management contracts (**"EMC"**) in the People's Republic of China (the **"PRC"** or **"China"**). The Group also operates LED EMC business through its investment in a joint venture.

During the Period, the revenue of the Group amounted to approximately HK\$2,004,000 (2020: approximately HK\$3,285,000), representing a decrease of approximately 39.0% as compared with the corresponding period of the previous year, which mainly attributed to decline in the number of ongoing projects of finance lease business.

The net loss of the Group was approximately HK\$45,013,000 during the Period as compared with the net loss of approximately HK\$161,113,000 in the corresponding period of the previous year. The decrease in net loss was mainly attributable to an impairment loss of approximately HK\$225,000,000 on the Group's assets in relation to the PPP's project was recorded in the corresponding period of the previous year, while no such impairment loss was recorded in the Period.

OPERATIONAL REVIEW

(1) Finance Lease and Loan Services and Property Investment Business

During the Period, due to resurgence of COVID-19 in the PRC, a few discussions of new projects, which were in advanced form, are yet to be finalised and enter into final contracts. The total revenue recorded for the Period decreased to approximately HK\$2,004,000 (2020: approximately HK\$3,285,000), representing a decrease of approximately 39.0%.

The Group has disposed all of its commercial properties during the year ended 31 December 2020, and the Group no longer holds any investment properties since then.

(2) PPP Class 1 Land Development Business

During the Period, no revenue was recorded in the Group's business in the PPP Class 1 land Central New Coastal City* (中部濱海新城) and the construction of Ronggang Avenue* (融港大道) (collectively referred to as the **"Project"**) at Fuqing City, Fujian Province (2020: Nil).

During the Period, the loss of this segment decreased to approximately HK\$16,190,000 (2020: approximately HK\$228,743,000), mainly due to no impairment provided for intangible assets during the Period.

(3) LED EMC Business

The Group operates LED EMC business through its investment in a joint venture in previous years.

During the Period, the Group also established a new subsidiary, Zhejiang Yaohui Energy Saving Technology Co., Ltd.* (浙江曜輝節能科技有限公司) to carry on the LED EMC business. The Group had secured certain new projects in Zhejiang province of the PRC, however, the projects are still in the initial stage and no revenue was recorded so far.

* English translation for reference only.

MANAGEMENT DISCUSSION AND ANALYSIS

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 challenging to invest in new markets. Looking forward, 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 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. Looking forward, the Group will continue to optimize its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the pandemic, the Group will support the development of 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) 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.

Besides, the Group will also support the development of the LED EMC business, in order to create a steady income stream for the Group in future years.

Regarding PPP Class 1 land development business, the development of the Project involves 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 filed a lawsuit with Intermediate People's Court of Putian Municipality* (莆田市中級人民法院) (the "**Putian Court**") in May 2018, aiming to request Fuqing Municipal People's Government* (福清市人民政府) to continue to execute the land development contract in relation to the Project. The Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group. As a result, the land development of the Project will continue to be suspended. The Group filed an appeal to the High People's Court of Fujian Province* (福建省高級人民法院) (the "**High People's Court**") in June 2020 to protect its interests. The High People's Court has accepted the appeal on 6 August 2020 and the Group is expecting the notice of hearing. The hearing will be scheduled at the discretion of the High People's Court. The Group will still try its best to restart the Project as soon as practicable.

FINANCIAL RESOURCES

As at 30 June 2021, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,231.0 million (31 December 2020: approximately HK\$1,268.8 million). Cash and bank balances amounted to approximately HK\$31.1 million (31 December 2020: approximately HK\$39.7 million). Net debt amounted to approximately HK\$1,199.9 million (31 December 2020: approximately HK\$1,229.1 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\$719.2 million (31 December 2020: approximately HK\$727.1 million), was 166.9% (31 December 2020: 169.0%).

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

* English translation for reference only.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of an interim dividend for the Period (2020: Nil).

MATERIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the Period.

EVENTS AFTER THE PERIOD

The Group did not have any material subsequent event after the Period and up to the date of this interim report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 28 employees (2020: 32). The staff costs for the Period amounted to approximately HK\$4.0 million (2020: approximately HK\$4.0 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 on staff remuneration policies during the Period.

HUMAN RESOURCES

The Group remunerates and promotes employees according to a balanced mechanism based on individual performance, experience, professional qualification and prevailing market practices. The Group also encourages and subsidizes staff to participate in job related studies, trainings and seminars for all-round development to continually enhance their contribution to the sustainable development of the Group.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged certain finance lease receivables for bank and other borrowings granted.

CHANGES SINCE 31 DECEMBER 2020

Save as disclosed above, there were no other significant changes in the Group’s financial position or from the information disclosed under the section headed “Management Discussion and Analysis” in the annual report for the year ended 31 December 2020.

By order of the Board

Chan Hon Wai

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 31 August 2021

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of 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 under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Long positions in the Shares:

Name of Director	Number of Shares held, capacity and nature of interests		Percentage of the Company's issued Shares [#]
	Personal interests	Total	
Chan Hon Wai (Note)	798,214,445	798,214,445	13.43%

[#] The total number of issued Shares as at 30 June 2021 was 5,943,745,741.

Note:

Pursuant to an agreement between Sincere View International Limited ("**Sincere View**") and Mr. Chan Hon Wai ("**Mr. Chan**") dated 9 April 2021 (the "**Agreement**"), upon the fulfillment of the condition precedent in the Agreement, Sincere View will transfer 50% interests of Shares which represented 798,214,445 Shares to Mr. Chan.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 June 2015, the Company adopted a share option scheme (the “**Share Option Scheme**”), following the Company’s share option scheme having expired on 14 April 2015 (the “**Expired Share Option Scheme**”), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s business development and growth and to enable the Group to recruit high-calibre employees and attract or retain human resources valuable to the Group. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption.

As at 30 June 2021, there are no share options outstanding under the Share Option Scheme or the Expired Share Option Scheme.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme or the Expired Share Option Scheme during the Period.

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate at any time during the Period or at the end of the Period.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, the interests and short positions of the substantial shareholders and other persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Long/ short position	Capacity and nature of interests	Number of ordinary Shares held	Percentage of the Company’s issued Shares [#]
Sincere View	(a)	Long	Beneficial owner	798,214,445	13.43%
Hon Kwok Lung (“ Mr. Hon ”)	(a)	Long	Interest of controlled corporation	798,214,445	13.43%
Lam Suk Ying (“ Ms. Lam ”)	(a)	Long	Interest of spouse	798,214,445	13.43%

[#] The total number of issued Shares as at 30 June 2021 was 5,943,745,741.

Note:

(a) Mr. Hon holds 80% and his wife, Ms. Lam holds 20% interests in Sincere View, which is a substantial shareholder of the Company holding 798,214,445 Shares. Mr. Hon and his wife Ms. Lam are deemed to have an interest in the same parcel of 798,214,445 Shares.

Save as disclosed above, as at 30 June 2021, so far as known to any Director or the chief executive of the Company, no substantial shareholders or other persons, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in Shares and underlying shares and debentures of the Company” above, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

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

During the Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Listing Rules during the Period, 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. Mr. Chan Hon Wai has been appointed as an executive Director, the chief executive officer and the chairman of the Board with effect from 18 September 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 officer and chairman of the board. Appointment will be made to comply with code provision A.2.1 of the CG Code if necessary;

- (ii) code provision A.4.1 of the CG Code 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 of the CG Code 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 (Chapter 622 of the Laws of Hong Kong), legal and other regulatory requirements, if applicable.

OTHER INFORMATION

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising all three independent non-executive Directors, namely Mr. To Chun Kei (chairman of the Audit Committee), Mr. Liu Jingwei and Mr. Zheng Yanqing, has reviewed the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters with the management of the Group. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 have been reviewed by the Audit Committee, which is of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the Company's annual report for the year ended 31 December 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue – Leases		2,004	3,285
Other income, gains and losses	5	1,557	9,716
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	(1,381)	–
Administrative expenses		(9,204)	(13,229)
Impairment of intangible assets	12	–	(225,000)
Gain on disposal of subsidiaries		–	34,823
Finance costs	6	(44,967)	(39,428)
Share of profits of joint ventures		6,988	13,957
Loss before tax		(45,003)	(215,876)
Income tax (expense)/credit	7	(10)	54,763
Loss for the period	8	(45,013)	(161,113)
Attributable to:			
Owners of the Company		(36,821)	(74,196)
Non-controlling interests		(8,192)	(86,917)
		(45,013)	(161,113)
LOSS PER SHARE	9		
Basic and diluted		(HK0.62 cents)	(HK1.25 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period	(45,013)	(161,113)
Other comprehensive income/(expenses):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	1,659	(2,599)
Share of joint ventures' exchange differences on translation of foreign operations	812	-
Reclassification adjustment for foreign operations disposed of during the period	-	(38,142)
Other comprehensive income/(expenses) for the period	2,471	(40,741)
Total comprehensive expenses for the period	(42,542)	(201,854)
Total comprehensive expenses attributable to:		
Owners of the Company	(34,459)	(114,937)
Non-controlling interests	(8,083)	(86,917)
	(42,542)	(201,854)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	490	557
Right-of-use assets	11	500	920
Intangible assets	12	-	-
Investments in joint ventures		80,960	73,160
Prepayments and deposits		196	333
Finance lease receivables	14	15,332	26,999
		97,478	101,969
CURRENT ASSETS			
Contract costs	15	318,383	315,446
Trade receivables	13	19,812	19,629
Prepayments, deposits and other receivables		9,365	10,058
Finance lease receivables	14	23,385	26,223
Promissory note receivable		62,300	62,300
Amounts due from joint ventures		128,331	128,692
Bank balances and cash		31,080	39,665
		592,656	602,013
CURRENT LIABILITIES			
Trade payables	16	7,948	7,874
Other payables and accruals		38,567	167,724
Lease liabilities		529	886
Interest-bearing bank and other borrowings	17	212,740	213,283
Loans from related companies	17	4,399	810,714
Loans from joint ventures		15,122	15,698
Loans from non-controlling shareholders		32,343	32,343
Tax payable		2,492	4,106
		314,140	1,252,628
NET CURRENT ASSETS/(LIABILITIES)		278,516	(650,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		375,994	(548,646)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		-	76
Other payables and accruals		136,296	-
Interest-bearing bank and other borrowings	17	9,369	20,190
Loans from related companies	17	773,697	-
Deferred tax liabilities		232	232
		919,594	20,498
NET LIABILITIES			
		(543,600)	(569,144)
CAPITAL AND RESERVES			
Share capital	18	2,234,815	2,234,815
Other reserves		(2,715,584)	(2,736,798)
Equity attributable to owners of the Company			
Equity attributable to owners of the Company		(480,769)	(501,983)
Non-controlling interests		(62,831)	(67,161)
		(543,600)	(569,144)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2020 (Audited)	2,234,815	14,114	(145,022)	58,086	823,357	(47,103)	9,426	(3,329,552)	(381,879)	35,358	(346,521)
Loss for the period (Unaudited)	-	-	-	-	-	-	-	(74,196)	(74,196)	(86,917)	(161,113)
Other comprehensive expenses for the period: (Unaudited)											
Exchange differences on translation of foreign operations (Unaudited)	-	-	-	-	-	(2,599)	-	-	(2,599)	-	(2,599)
Reclassification adjustments for foreign operations disposed of during the period (Unaudited)	-	-	-	-	-	(38,142)	-	-	(38,142)	-	(38,142)
Total comprehensive expenses for the period (Unaudited)	-	-	-	-	-	(40,741)	-	(74,196)	(114,937)	(86,917)	(201,854)
Disposal of subsidiaries (Unaudited)	-	-	-	-	-	-	(9,426)	9,426	-	-	-
At 30 June 2020 (Unaudited)	2,234,815	14,114	(145,022)	58,086	823,357	(87,844)	-	(3,394,322)	(496,816)	(51,559)	(548,375)

	Attributable to owners of the Company										
	Share capital HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021 (Audited)	2,234,815	-	(145,022)	58,086	823,357	(81,645)	-	(3,391,574)	(501,983)	(67,161)	(569,144)
Loss for the period (Unaudited)	-	-	-	-	-	-	-	(36,821)	(36,821)	(8,192)	(45,013)
Other comprehensive income for the period: (Unaudited)											
Exchange differences on translation of foreign operations (Unaudited)	-	-	-	-	-	2,362	-	-	2,362	109	2,471
Total comprehensive income/(expenses) for the period (Unaudited)	-	-	-	-	-	2,362	-	(36,821)	(34,459)	(8,083)	(42,542)
Deemed capital contribution arising from non-current interest free loans from related companies (Note 20(b)(i)) (Unaudited)	-	-	-	55,673	-	-	-	-	55,673	12,413	68,086
At 30 June 2021 (Unaudited)	2,234,815	-	(145,022)	113,759	823,357	(79,283)	-	(3,428,395)	(480,769)	(62,831)	(543,600)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(45,003)	(215,876)
Adjustment for:		
Finance costs	44,967	39,428
Share of profits of joint ventures	(6,988)	(13,957)
Depreciation of property, plant and equipment and right-of-use assets	500	673
Impairment of intangible assets	-	225,000
Gain on disposal of subsidiaries	-	(34,823)
Others	283	4,104
Operating cash flows before movements in working capital	(6,241)	4,549
Decrease in prepayments, deposits and other receivables	397	8,715
Decrease in finance lease receivables	15,001	17,017
Others	(4,071)	6,441
Cash generated from operations	5,086	36,722
Income tax paid	(1,644)	(14)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,442	36,708
INVESTING ACTIVITIES		
Net cash inflow from disposal of subsidiaries	-	368,403
Proceeds from disposal of investment properties	-	17,049
Repayment from a joint venture	-	1,331
Interest received	150	212
NET CASH FLOWS FROM INVESTING ACTIVITIES	150	386,995

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Advances from related companies	4,059	2,000
Repayment of loans to related companies	-	(242,723)
Repayment of bank and other borrowings	(12,102)	(55,009)
Interest paid	(2,399)	(22,975)
Repayment to joint ventures	(723)	(7,856)
Repayment of lease liabilities	(460)	(457)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(11,625)	(327,020)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,033)	96,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	39,665	33,051
Effect of foreign exchange rate changes	(552)	(15,386)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,080	114,348
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by:		
Bank balances and cash	31,080	114,348

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company and its subsidiaries (collectively the “**Group**”) are principally involved in the management and operation of light-emitting diode (“**LED**”) energy management contracts (“**EMC**”); provision of finance lease and loan services and property investment; and provision of land development services in the People’s Republic of China (the “**PRC**”). The Group also operates LED EMC business through its investment in a joint venture.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The financial information relating to the year ended 31 December 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements. The auditor’s report was qualified and contained a statement under section 407(3) of the Hong Kong Companies Ordinance and with a material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its reports, but did not contain a statement under sections 406(2) or 407(2) of the Hong Kong Companies Ordinance.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$45 million for the period ended 30 June 2021 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$544 million as at 30 June 2021. The Group’s total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loan from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,048 million, out of which approximately HK\$265 million are due for repayment in the next twelve months from the date of approval of these condensed consolidated financial statements.

The directors of the Company have performed an assessment of the Group’s future liquidity and cash flows, taking into account the following relevant matters:

- (i) A substantial shareholder of the Company, undertakes that, subject to the continuous trading of shares of the Company on the Stock Exchange, in order to encourage the Group to put its capital into good use and support business development of the Group, the substantial shareholder will provide funding support via, including but not limited to, guarantee or loan financing, within one year from the date of the letter.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(continued)*

- (ii) According to the letter from the substantial shareholder to the Board of the Company dated 22 March 2021, in order to provide continuous financial support to the Company, the substantial shareholder will not demand repayment of the loans from related companies nor any interest to be incurred during the period from 1 January 2021 to 31 December 2022.
- (iii) The Group is negotiating with the counterparties to renew the existing loans from them.
- (iv) The Group is actively identifying alternative sources of funding.

The directors of the Company consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Application of new and revised HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the condensed consolidated financial statements of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three 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 and sale of construction materials.

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 certain exchange losses and certain finance costs, depreciation, as well as corporate and other unallocated expenses are excluded from such measurement.

For the presentation of the Group's geographical information, revenues and results information is attributed to the segments based on the locations of the customers, and assets information is based on the locations of the assets. As the Group's major operations and markets are located in PRC, no further geographical information is provided.

The following table presents revenue and loss for the Group's primary segment for the six months ended 30 June 2021 and 2020.

	Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Leases	-	-	2,004	3,285	-	-	2,004	3,285
Segment results	6,949	13,952	(1,655)	8,135	(16,190)	(228,743)	(10,896)	(206,656)
<i>Reconciliation:</i>								
Finance costs								
- unallocated							(29,634)	(21,815)
Unallocated other gain							-	13,607
Corporate and other unallocated expenses							(4,473)	(1,012)
Loss before tax							(45,003)	(215,876)
Income tax (expense)/credit							(10)	54,763
Loss for the period							(45,013)	(161,113)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. OTHER INCOME, GAINS AND LOSSES

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income		
Interest income	150	212
Promissory note interest income	949	–
	1,099	212
Other gains and losses, net		
Exchange losses, net	(347)	(2,831)
Fair value losses on investment properties, net	–	(2,340)
Others	805	14,675
	458	9,504
	1,557	9,716

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank loans and other borrowings	9,705	19,771
Interest on loans from related companies	18,362	19,618
Imputed interest on loans from related companies	16,882	–
Interest on lease liabilities	18	39
	44,967	39,428

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. INCOME TAX (EXPENSE)/CREDIT

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2020: Nil). Taxation on PRC profit was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
PRC Enterprise Income Tax		
– Current Tax	–	(1,487)
– Under-provision in prior year	(10)	–
Deferred tax credit	–	56,250
	(10)	54,763

8. LOSS FOR THE PERIOD

The Group's loss before tax is arrived after charging:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditor's remuneration	550	270
Depreciation on items of property, plant and equipment	72	176
Depreciation on right-of-use assets	428	497
ECLs on financial assets	1,381	–
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages, salaries, allowances and benefits in kind	4,817	4,086
– Pension scheme contributions	51	50
	4,868	4,136

9. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of approximately HK\$36,821,000 (2020: approximately HK\$74,196,000), and the weighted average number of ordinary shares of 5,943,745,741 (2020: 5,943,745,741) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 as there are no dilutive potential ordinary shares and for the six months ended 30 June 2020 as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2020: Nil). The directors of the Company do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2021.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, no addition in the property, plant and equipment and right-of-use assets is recorded (2020: Nil).

12. INTANGIBLE ASSETS

As at 30 June 2021, the amount of intangible assets is Nil (31 December 2020: Nil) in respect of land development contracts in relation to the land development of Central New Coastal City* (中部濱海新城) (the **"Project Land"**) and construction work of Ronggang Avenue* (融港大道) (collectively referred to as the **"Project"**). AVIC International (Fujian) Industrial Co., Ltd.* (中航國際(福建)實業有限公司) (**"AVIC Fujian"**), a subsidiary of the Group, together with two parties formed a joint committee to manage the Project.

In February 2013, AVIC Fujian and Fuqing Municipal People's Government* (福清市人民政府) (the **"Fuqing Government"**) entered into the Master Investment and Construction Co-operation Agreement (**"MICCA"**). Pursuant to the MICCA, the Fuqing Government is responsible for land planning, securing land, relocating residents and ensuring that all requisite legal and other necessary approvals. AVIC Fujian is primarily responsible for funding and managing (i) the development work associated with the Project Land to meet the land sale requirement; and (ii) the construction of Ronggang Avenue* (融港大道).

In November 2017, the Fuqing Government issued a notice to AVIC Fujian together with the two parties of the joint committee of the Project, pursuant to which, the Fuqing Government (i) terminated the MICCA, (ii) revoked the land development right in the Project Land, and (iii) allowed AVIC Fujian or the joint committee to proceed the negotiation with the Fuqing Government on the compensation due to the termination of the MICCA, on the grounds that the MICCA violates certain rules and regulations in the PRC, namely 《中華人民共和國招投標法》, 《中華人民共和國預算法》, 《國務院辦公廳關於規範國有土地使用權出讓收支管理的通知》, 《財政部、國土資源部、中國人民銀行〈關於印發國有土地使用權出讓收支管理辦法〉的通知》 and 《中華人民共和國擔保法》 and therefore, the Fuqing Government is unable to execute the MICCA. The Group took several measures including the continuous negotiation with the Fuqing Government and the filing of appeal in May 2018 to the Intermediate People's Court of Putian Municipality* (莆田市中级人民法院) (the **"Putian Court"**), aiming to request the Fuqing Government to continue to execute the MICCA in accordance with the terms of the agreement.

The Putian Court had processed the case but decision has not been reached as at 31 December 2019. The directors of the Company, having sought legal advice, considered that the Fuqing Government does not have sufficient legal grounds to terminate the MICCA and are in the opinion that the Group will succeed in the appeal. Taking into account of the possible outcome of the appeal, the estimated shorten period of the Project and the decrease in the expected profit margin in the Project, the Group recognised accumulated impairment loss of HK\$739,000,000 as at 31 December 2019.

* English translation for reference only.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. INTANGIBLE ASSETS *(continued)*

On 10 June 2020, the Putian Court has issued a judgement to dismiss the petition by AVIC Fujian and ordered AVIC Fujian to bear specified amounts of litigation costs. In order to protect the interests of the Group and after having sought legal advice, the directors of the Company has decided to appeal and filed an appeal to the High People's Court of Fujian Province* (福建省高級人民法院) (the "High People's Court") on 24 June 2020 to request the High People's Court to set aside the judgment and rule the case to be returned to the Putian Court for re-trial. However, the ultimate outcome of the appeal cannot be assessed at this stage. Accordingly, additional impairment amounted to HK\$225,000,000 was provided for the six months ended 30 June 2020. As at 30 June 2021, full impairment on the intangible assets of the Project amounted to HK\$964,000,000 (31 December 2020: HK\$964,000,000) was recognised.

13. TRADE RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	57,287	56,759
Less: Allowance for credit losses	(37,475)	(37,130)
	19,812	19,629

The trade receivables are all relating to the sales of construction materials. The credit period is generally 90 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Over 1 year	57,287	56,759

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$19,812,000 (31 December 2020: approximately HK\$19,629,000) which are past due. All of the past due balances has been past due 90 days or more and is not considered as in default as the management considered the past due balances can be repaid based on repayment history.

* *English translation for reference only.*

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCE LEASE RECEIVABLES

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

The majority of lease contracts are with guaranteed residual values. As at 30 June 2021 and 31 December 2020, unguaranteed residual values of assets leased under finance leases are immaterial.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	26,164	30,279	23,385	26,223
In the second year	13,593	25,042	12,123	22,804
In the third year	2,799	2,774	2,193	2,078
In the fourth year	1,204	2,580	1,016	2,117
	43,760	60,675	38,717	53,222
Less: unearned finance income	(5,043)	(7,453)		
Present value of minimum lease payments	38,717	53,222		
Analysed for reporting purposes as:				
Current assets	23,385	26,223		
Non-current assets	15,332	26,999		
	38,717	53,222		

Effective interest rates of the above finance leases range from 6% to 9.3% (31 December 2020: 6% to 9.3%) per annum.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

As at 30 June 2021, the Group's finance lease receivables with aggregate carrying amount of approximately HK\$38,717,000 (31 December 2020: approximately HK\$53,222,000) were pledged as security for the Group's certain bank loans.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. CONTRACT COSTS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Pre-contract/setup costs to fulfil contracts relation to land development services incurred to date	318,383	315,446

Contract costs capitalised are construction costs in relation to land development services incurred up to date.

16. 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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Over 120 days	7,948	7,874

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS AND LOANS FROM RELATED COMPANIES

During the current interim period, the Group obtained advances from related companies amounting to approximately HK\$4,059,000 (2020: approximately HK\$2,000,000), of which approximately HK\$3,000,000 (2020: Nil) is repayable by 2022 and bears interest at 5% per annum, while the remaining advances are non-interest bearing and no fixed repayment period. The Group also repaid bank and other borrowings amounting to approximately HK\$12,102,000 (2020: approximately HK\$55,009,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Issued and fully paid: 5,943,745,741 ordinary shares	2,234,815	2,234,815

A summary of the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	5,943,745,741	2,234,815

19. COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of approximately HK\$1,840,000 (31 December 2020: approximately HK\$2,883,000) contracted but not provided for and share of capital commitments of joint ventures of approximately HK\$9,067,000 (31 December 2020: approximately HK\$10,586,000) in the condensed consolidated financial statements as at the end of the reporting period.

20. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

		For the six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest expenses to related companies	(i)	18,362	19,618
Imputed interest expenses to a related company	(ii)	16,882	–
Office rental and other related expenses to a related company		583	–
Interest income from joint ventures		101	652

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. RELATED PARTY TRANSACTIONS *(continued)*

(a) (continued)

Notes:

- (i) The interest expenses paid to related companies were charged at interest rates ranging from 5% to 5.6175% (2020: 5% to 5.8%) per annum.
- (ii) The imputed interest expenses charged by a related company were charged at market interest rates ranging from 7.82% to 10.26% (2020: Nil) per annum.

(b) Outstanding balances with related parties:

- (i) The related companies are either the Company's substantial shareholder or companies whose controlling shareholder is also controlling shareholder of the Company's substantial shareholder.

The loans from related companies, of which approximately HK\$657,347,000 is repayable in 2021 and bears interest at 5.6175% per annum, HK\$1,000,000 is repayable in 2021 and bears interest at 5% per annum, and HK\$3,000,000 is repayable in 2022 and bears interest at 5% per annum while the remaining balances are non-interest bearing and no fixed repayment period.

According to the letter from Company's substantial shareholder to the Board of the Company dated 22 March 2021, in order to provide continuous financial support to the Company, Company's substantial shareholder will not demand repayment of the part of the aforesaid loans of principal amount of approximately HK\$811,573,000 (31 December 2020: approximately HK\$810,374,000) nor any interest to be incurred during the period from 1 January 2021 to 31 December 2022.

The differences between above amounts and their fair value at initial recognition are directly dealt with in equity as deemed capital contribution from related companies. The effective interest rates of loans from related companies ranging from 7.82% to 10.26% per annum.

- (ii) The loan from a non-controlling shareholders are unsecured, non-interest bearing and no fixed repayment period.

The carrying amounts of these balances approximate to their fair values.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	912	343