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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of AVIC Joy Holdings (HK) Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with the comparative figures for 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue		1,708	2,004
Cost of Sales		–	–
		<hr/>	<hr/>
Gross profit		1,708	2,004
Other income, gains and losses	5	2,697	176
Administrative expenses		(9,851)	(9,204)
Finance costs	6	(21,955)	(44,967)
Share of profits of joint ventures		8,114	6,988
		<hr/>	<hr/>
Loss before tax		(19,287)	(45,003)

		For the six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Income tax expense	7	<u>(9)</u>	<u>(10)</u>
Loss for the period	8	<u>(19,296)</u>	<u>(45,013)</u>
Attributable to:			
Owners of the Company		<u>(17,251)</u>	<u>(36,821)</u>
Non-controlling interests		<u>(2,045)</u>	<u>(8,192)</u>
		<u>(19,296)</u>	<u>(45,013)</u>
LOSS PER SHARE	9		
Basic and diluted		<u>(HK0.29 cents)</u>	<u>(HK0.62 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(19,296)</u>	<u>(45,013)</u>
Other comprehensive (expenses)/income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(5,706)	1,659
Share of joint ventures' exchange differences on translation of foreign operations	<u>(4,243)</u>	<u>812</u>
Other comprehensive (expenses)/income for the period	<u>(9,949)</u>	<u>2,471</u>
Total comprehensive expenses for the period	<u><u>(29,245)</u></u>	<u><u>(42,542)</u></u>
Total comprehensive expenses attributable to:		
Owners of the Company	(28,048)	(34,459)
Non-controlling interests	<u>(1,197)</u>	<u>(8,083)</u>
	<u><u>(29,245)</u></u>	<u><u>(42,542)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	327	436
Right-of-use assets	<i>11</i>	3,995	73
Investments in joint ventures		98,415	94,544
Prepayments and deposits		136	125
Finance lease receivables	<i>13</i>	13,634	3,795
		116,507	98,973
CURRENT ASSETS			
Contract costs	<i>14</i>	309,914	324,206
Trade receivables	<i>12</i>	19,285	20,175
Prepayments, deposits and other receivables		10,160	10,908
Finance lease receivables	<i>13</i>	16,325	24,494
Promissory note receivables		62,300	62,300
Amounts due from joint ventures		111,937	128,968
Bank balances and cash		39,155	28,845
		569,076	599,896
CURRENT LIABILITIES			
Trade payables	<i>15</i>	7,736	8,093
Other payables and accruals		52,401	216,635
Lease liabilities		1,495	78
Bank and other borrowings		192,556	212,778
Loans from related companies		23,390	820,911
Loans from joint ventures		15,168	15,858
Loans from non-controlling shareholders		32,343	32,343
Tax payable		2,486	2,502
		327,575	1,309,198
NET CURRENT ASSETS/(LIABILITIES)		241,501	(709,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		358,008	(610,329)

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	2,602	–
Other payables and accruals	186,629	–
Bank and other borrowings	–	786
Loans from related companies	809,137	–
Deferred tax liabilities	232	232
	<u>998,600</u>	<u>1,018</u>
NET LIABILITIES	<u>(640,592)</u>	<u>(611,347)</u>
CAPITAL AND RESERVES		
Share capital	2,234,815	2,234,815
Other reserves	(2,797,619)	(2,769,571)
Equity attributable to owners of the Company	(562,804)	(534,756)
Non-controlling interests	(77,788)	(76,591)
	<u>(640,592)</u>	<u>(611,347)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited 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 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 2021 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 2021 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\$19.3 million for the period ended 30 June 2022 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$640.6 million as at 30 June 2022. The Group’s total borrowings (comprising bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,072.6 million, out of which approximately HK\$263.5 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.
- (ii) According to the letter from the substantial shareholder to the Board of the Company dated 6 April 2022, 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 2022 to 31 December 2023.
- (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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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 2022. 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.

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 2022 and 2021.

	Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue:								
Leases	-	-	1,708	2,004	-	-	1,708	2,004
Segment results	8,093	6,949	126	(1,655)	(3,859)	(16,190)	4,360	(10,896)
Reconciliation:								
Finance costs								
- unallocated							(19,233)	(29,634)
Unallocated other gain							51	-
Corporate and other unallocated expenses							(4,465)	(4,473)
Loss before tax							(19,287)	(45,003)
Income tax expense							(9)	(10)
Loss for the period							(19,296)	(45,013)

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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Other income		
Interest income	70	150
Promissory note interest income	949	949
	<u>1,019</u>	<u>1,099</u>
Other gains and losses, net		
Exchange losses, net	(4)	(347)
Loss on disposal of property, plant and equipment	(3)	–
Written off of other receivables	–	(1,381)
Government grants	45	–
Value-added tax refunds	1,526	802
Others	114	3
	<u>1,678</u>	<u>(923)</u>
	<u><u>2,697</u></u>	<u><u>176</u></u>

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest on bank loans and other borrowings	3,306	9,705
Interest on loans from related companies	18,487	35,244
Interest on lease liabilities	162	18
	<u>21,955</u>	<u>44,967</u>

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2021: 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
PRC Enterprise Income Tax		
– Current Tax	9	–
– Under-provision in prior year	–	10
	<u>9</u>	<u>10</u>

8. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Auditor's remuneration	575	550
Depreciation on items of property, plant and equipment	62	72
Depreciation on right-of-use assets	765	428
Written off of other receivables	–	1,381
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages, salaries, allowances and benefits in kind	4,083	5,077
– Pension scheme contributions	211	283
	<u>4,294</u>	<u>5,360</u>

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\$17,251,000 (2021: approximately HK\$36,821,000), and the weighted average number of ordinary shares of 5,943,745,741 (2021: 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 2022 and for the six months ended 30 June 2021 as there are no dilutive potential ordinary shares.

10. DIVIDENDS

No dividends were paid, declared or proposed during the Period (2021: Nil). The directors of the Company do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2022.

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

During the Period, no addition in the property, plant and equipment is recorded (2021: Nil). Items of equipment with a net book value of approximately HK\$30,000 were disposed of during the Period (2021: Nil), resulting in a loss on disposal of approximately HK\$3,000 (2021: Nil).

During the Period, the Group entered into a number of lease agreements for use of office premises and staff quarters, and therefore recognised the additions to right-of-use assets of approximately HK\$4,789,000 (2021: Nil).

12. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	55,763	58,335
Less: Allowance for expected credit losses	<u>(36,478)</u>	<u>(38,160)</u>
	<u>19,285</u>	<u>20,175</u>

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Over 1 year	<u>55,763</u>	<u>58,335</u>

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$19,285,000 (31 December 2021: approximately HK\$20,175,000) 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.

13. 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 three years.

The majority of lease contracts are with guaranteed residual values. As at 30 June 2022 and 31 December 2021, unguaranteed residual values of assets leased under finance leases are immaterial.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	18,051	27,049	16,325	24,494
In the second year	8,422	2,851	7,200	2,184
In the third year	6,869	1,939	6,434	1,611
	<u>33,342</u>	<u>31,839</u>	<u>29,959</u>	<u>28,289</u>
Less: unearned finance income	<u>(3,383)</u>	<u>(3,550)</u>		
Present value of minimum lease payments	<u>29,959</u>	<u>28,289</u>		
Analysed for reporting purposes as:				
Current assets	16,325	24,494		
Non-current assets	13,634	3,795		
	<u>29,959</u>	<u>28,289</u>		

Effective interest rates of the above finance leases range from 6% to 9% (31 December 2021: 6% to 9%) 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 2022, the Group's finance lease receivables with aggregate carrying amount of approximately HK\$14,624,000 (31 December 2021: approximately HK\$28,289,000) were pledged as security for the Group's certain bank loans.

14. CONTRACT COSTS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Pre-contract/setup costs to fulfil contracts relation to land development services incurred to date	<u>309,914</u>	<u>324,206</u>

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

15. 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Over 120 days	<u>7,736</u>	<u>8,093</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2022 (the “**Period**”), the principal business activities of the Group comprise 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**” or “**China**”). The Group also operates LED EMC business through its investment in a joint venture.

Under the novel coronavirus (“**COVID-19**”), the Group will continuously 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.

Regarding PPP Class 1 land development business, the development of 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, 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) (the “**Fuqing Government**”) 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. Besides, the Group has started mediation to resolve the dispute with Fuqing Government in 2021. The Group will still try its best to restart the Project as soon as practicable.

* *English translation for reference only.*

Operational Review

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

During the Period, due to resurgence of COVID-19 in both Hong Kong and the PRC, continued travel restrictions were imposed by the governments, a few discussions of new projects, which were in advanced form, are yet to be finalised and enter into final contracts. On 25 May 2022, the Group entered a finance lease arrangement with Beijing Hanjian Heshan Pipeline Co., Ltd.* (北京韓建河山管業股份有限公司), which the Group shall receive total lease interest of RMB1,593,212 over a lease period of 36 months and a management fee of RMB130,000. However, several finance lease projects were finished during the Period. Therefore, the revenue recorded for the Period from finance lease business decreased to approximately HK\$1,708,000 (2021: approximately HK\$2,004,000), representing a decrease of approximately 14.8%.

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 Project at Fuqing City, Fujian Province (2021: Nil).

During the Period, the loss of this segment decreased to approximately HK\$3,859,000 (2021: approximately HK\$16,190,000), mainly due to decrease in interest on bank loans and no imputed interest provided on loans from related companies.

(3) LED EMC Business

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

During last year, the Group also established a new subsidiary to carry on the LED EMC business. However, the business are still in the initial stage, no revenue was recorded so far.

* *English translation for reference only.*

Financial Review

During the Period, the revenue of the Group amounted to approximately HK\$1,708,000 (2021: approximately HK\$2,004,000), representing a decrease of approximately 14.8% 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\$19,296,000 during the Period as compared with the net loss of approximately HK\$45,013,000 in the corresponding period of the previous year. The decrease in net loss was mainly attributable to decrease in finance costs by approximately HK\$23,012,000 as (i) no imputed interest provided on loans from related companies during the Period (2021: approximately HK\$16,882,000); and (ii) lower interest on banks loans upon repayment of certain bank loans during the Period.

Financial Resources

As at 30 June 2022, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,323.5 million (31 December 2021: approximately HK\$1,307.5 million). Cash and bank balances amounted to approximately HK\$39.2 million (31 December 2021: approximately HK\$28.8 million). Net debt amounted to approximately HK\$1,284.3 million (31 December 2021: approximately HK\$1,278.7 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\$721.5 million (31 December 2021: approximately HK\$743.9 million), was 178.0% (31 December 2021: 171.9%).

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

Interim Dividend

The Board has resolved not to declare any interim dividend for the Period (2021: Nil).

Material Acquisition And Disposal of Subsidiaries, Associates And Joint Ventures 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.

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 25 employees (2021: 28). The staff costs for the Period amounted to approximately HK\$3.8 million (2021: approximately HK\$4.4 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 2022, the Group had pledged certain finance lease receivables for bank and other borrowings granted.

Prospects

Since the beginning of 2020, the COVID-19 pandemic has continuously dealt a severe blow to the global economy. COVID-19 and the Omicron variant are still affecting commercial and economic activities around the world. The COVID-19 pandemic continuously added uncertainties to the Group's operating performance and development, making it difficult for the Group to make any forecasts at present. The Group will keep a close eye on the changes in the pandemic situation and the global economy, based on which it will make appropriate responses and adjustments and control risks. In the future, the Group's business prospect in the following areas is as follows:

(1) PPP Class 1 Land Development Business

Regarding PPP Class 1 land development business, 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. For details, please refer to the section headed "Management Discussion and Analysis — Business Review".

The Group has started mediation to resolve the dispute with the Fuqing Government in 2021. The Group will still try its best to restart the Project as soon as practicable.

(2) LED EMC Business

For details, please refer to the section headed “Management Discussion and Analysis — Operational Review — (3) LED EMC Business”.

In view of the increasing global market concerns on energy saving and the favourable policies of the PRC government on energy conservation and environmental protection business, the Group believes that the prospect of LED EMC business is optimistic.

(3) Finance Lease and Loan Services

The Group has been continuously supporting the development of the finance lease business of its subsidiaries. Despite the resurgence of COVID-19 in both Hong Kong and the PRC and continued travel restrictions imposed by governments during the Period, the Group was still looking for development opportunities and entered into a finance lease arrangement. For details, please refer to the section headed “Management Discussion and Analysis — Operational Review — (1) Finance Lease and Loan Services and Property Investment Business”.

In early August 2022, the Group entered into a strategic cooperation agreement with a wholly-owned subsidiary of Citychamp Dartong Co., Ltd.* (冠城大通股份有限公司) and planned to provide the latter’s customers with yacht agency and yacht-related finance lease services, in hope of expanding its customer base and seizing potential business opportunities.

(4) Gas And Petroleum Products Sales Business

Although the Group completed the exit of all gas businesses in 2019, geopolitical tensions in Ukraine and sanctions imposed by various countries on Russia are likely to keep global demand for petroleum rising. In addition, petroleum is a necessity of life for citizens, which is used in many aspects of daily life. The Company sized up the situation and decided to restart the gas and petroleum products sales business from August 2022, with the main business area and customers temporarily concentrated in Hong Kong.

* *English translation for reference only.*

Looking forward, despite the ongoing impact of COVID-19 and the Omicron variant on a global scale, which causes hidden concerns for industries around the world, weakens economic activities and intensifies business competition pressure, the outlook for investing in new markets is challenging. The Group remains cautiously optimistic about the outlook. It will adopt a proactive and prudent development strategy to develop the existing businesses of the Company under the premise of controlling the business risks, and also look for new commercial investment opportunities, hoping to expand valuable businesses.

EVENTS AFTER THE REPORTING PERIOD

There are no events to cause material impact in the Group after 30 June 2022 and up to the date of this announcement.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Listing Rules (the “**CG Code**”) throughout the six months ended 30 June 2022, except with the details disclosed below:

- (i) code provision C.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 the resignation of Mr. Chan Hon Wai (“**Mr. Chan**”) with effect from 30 January 2022, he was an executive Director, the chief executive officer and the chairman of the Board. Mr. Chang Chien (“**Mr. Chang**”) has been appointed as an executive Director with effect from 18 September 2020, he has been appointed as the chairman of the Board with effect from 4 February 2022 to fill the vacancy after Mr. Chan resigned. 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 post of chief executive officer of the Company has remained vacant since 30 January 2022. Mr. Chang, who acts as the chairman and an executive Director, is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Company understands the importance to comply with the code provision C.2.1 of the CG Code and will continue to consider the feasibility to nominate appropriate person for the role of chief executive officer; and

- (ii) code provision C.3.3 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 of the Company. 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “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.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Mr. Kam, Eddie Shing Cheuk (“**Mr. Kam**”), has resigned as an independent non-executive Director and a member of the audit committee of the Company (the “**Audit Committee**”) with effect from 3 August 2022 as he wishes to devote more time to his other commitments.

Following the resignation of Mr. Kam, the Company has two independent non-executive Directors only. As a result, the number of independent non-executive Directors of the Company has fallen below the minimum number required under Rule 3.10(1) of the Listing Rules. In addition, the Company fails to meet the composition requirement of the Audit Committee under Rule 3.21 of the Listing Rules.

The Board will make its best endeavours to identify suitable candidate to fill the vacancy as soon as practicable, with the relevant appointment to be made within three months from the date of the resignation of Mr. Kam to meet the requirements under the Listing Rules and will make further announcement as and when appropriate.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENT

As at the date of this announcement, the Audit Committee consists of two independent non-executive Directors, namely Mr. To Chun Kei (the chairman of the Audit Committee) and Mr. Lok Tze Bong. They have 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 2022 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.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") AND THE COMPANY

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

By Order of the Board
AVIC Joy Holdings (HK) Limited
CHANG Chien
Chairman and Executive Director

Hong Kong, 30 August 2022

As at the date of this announcement, the board of Directors comprises:

Executive Directors

Mr. Chang Chien, Mr. Lam Toi Man and Mr. Zhu Chengye

Independent Non-Executive Directors

Mr. To Chun Kei and Mr. Lok Tze Bong