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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 2023

The board (the “**Board**”) of directors (the “**Directors**”) of AVIC Joy Holdings (HK) Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**Year**”), together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	2	3,398	153,068
Cost of sales		(442)	(149,144)
Gross profit		2,956	3,924
Other income, gains and losses	3	2,190	4,003
Administrative expenses		(14,625)	(18,810)
Share of profits of joint ventures		–	7,598
Finance costs	4	(39,108)	(43,877)
LOSS BEFORE TAX		(48,587)	(47,162)
Income tax expense	5	(3)	(2)
LOSS FOR THE YEAR	6	(48,590)	(47,164)
Loss for the year attributable to:			
Owners of the Company		(49,386)	(43,588)
Non-controlling interests		796	(3,576)
		(48,590)	(47,164)
LOSS PER SHARE	7		
Basic and diluted		(HK0.83 cents)	(HK0.73 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR	(48,590)	(47,164)
OTHER COMPREHENSIVE EXPENSES:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(3,194)	(10,175)
Share of joint ventures' exchange differences on translation of foreign operations	(2,752)	(7,424)
Other comprehensive expenses for the year, net	(5,946)	(17,599)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	(54,536)	(64,763)
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(55,915)	(62,714)
Non-controlling interests	1,379	(2,049)
	(54,536)	(64,763)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		196	267
Right-of-use assets		1,561	3,149
Investments in joint ventures		91,966	94,718
Prepayments and deposits		163	137
Finance lease receivables	10	4,834	10,456
		<u>98,720</u>	<u>108,727</u>
CURRENT ASSETS			
Contract costs		290,065	298,534
Trade receivables	9	18,771	18,577
Prepayments, deposits and other receivables		13,859	11,372
Finance lease receivables	10	8,781	7,186
Promissory note receivables		62,300	62,300
Amounts due from joint ventures		105,584	108,800
Bank balances and cash		20,657	27,652
		<u>520,017</u>	<u>534,421</u>
CURRENT LIABILITIES			
Trade payables	11	7,734	7,452
Other payables and accruals		298,889	261,585
Lease liabilities		1,632	1,575
Interest-bearing bank and other borrowings		175,184	179,567
Loans from related companies		816,573	817,679
Loans from joint ventures		14,196	14,611
Loans from non-controlling shareholders		32,343	32,343
Tax payable		2,445	2,458
		<u>1,348,996</u>	<u>1,317,270</u>
NET CURRENT LIABILITIES		<u>(828,979)</u>	<u>(782,849)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(730,259)</u>	<u>(674,122)</u>

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	103	1,756
Deferred tax liabilities	232	232
	<u>335</u>	<u>1,988</u>
NET LIABILITIES	<u>(730,594)</u>	<u>(676,110)</u>
CAPITAL AND RESERVES		
Share capital	2,234,815	2,234,815
Other reserves	(2,888,200)	(2,832,285)
Equity attributable to owners of the Company	(653,385)	(597,470)
Non-controlling interests	(77,209)	(78,640)
	<u>(730,594)</u>	<u>(676,110)</u>

NOTES:

1.1. GENERAL 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 registered office of the Company is located at Unit 1905A, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong with effect from 22 April 2022.

During the year, the Group was principally involved in the provision of finance lease and loan services and property investment; provision of land development services; provision of supply and installation services for light-emitting diode (“**LED**”) products in the People’s Republic of China (“**PRC**”); and trading of gas and petroleum products in Hong Kong. The Group also operates LED energy management contracts (“**EMC**”) business through its investments in a joint venture.

1.2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors 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\$48.6 million for the year ended 31 December 2023 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$730.6 million as at 31 December 2023. The Group’s total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,038.3 million, which are due for repayment in the next twelve months from the date of approval of these consolidated financial statements.

The Directors 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, Sincere View International Limited (“**Sincere View**”) undertakes that, in order to encourage the Group to put its capital into good use and support business development of the Group, Sincere View 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 Sincere View to the Board dated 20 May 2024, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the loans from related companies of approximately HK\$801.4 million nor any interest to be incurred of approximately HK\$242.2 million during the period from 1 January 2024 to 31 December 2025.
- (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 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 consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Group is unable to obtain accounting books and records in respect of a subsidiary, i.e AVIC International (Fujian) industrial Co. Ltd (“**AVIC Fujian**”) and its subsidiary for both years ended 31 December 2022 and 2023. As such, the financial information of AVIC Fujian and its subsidiary for the period from 1 January 2022 to 30 June 2022, which is latest financial information available for the Group, together with best estimates of other income, administrative expenses and finance costs for the period from 1 July 2022 to 31 December 2023, are consolidated in the Group’s consolidated financial statements.

1.3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. 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 consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

Revenue

(i) *The following table presents revenue and profit/(loss) for the Group’s primary segment for the years ended 31 December 2023 and 2022*

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Trading of gas and petroleum products	–	149,955
Supply and installation services for LED products	<u>530</u>	<u>–</u>
Revenue from contracts with customers	530	149,955
Interest income on finance leases	<u>2,868</u>	<u>3,113</u>
Total revenue	<u>3,398</u>	<u>153,068</u>

(ii) *Disaggregation of revenue from contracts with customers*

Segments	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Types of goods		
Trading of gas and petroleum products recognised at a point in time to retail customers in Hong Kong	–	149,955
Supply and installation services for LED products recognised at a point in time to retail customers in the PRC	<u>530</u>	<u>–</u>

(iii) *Geographic information*

The following table provides an analysis of the Group's revenue from customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets (by location of asset)	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
The PRC	3,398	3,113	92,779	96,249
Hong Kong	–	149,955	944	1,885
	<u>3,398</u>	<u>153,068</u>	<u>93,723</u>	<u>98,134</u>

(iv) *Information about major customers*

	Segment	2023 HK\$'000	2022 HK\$'000
Customer A	Trading of gas and petroleum products	N/A [#]	105,160
Customer B	Trading of gas and petroleum products	N/A [#]	44,795
Customer C	Supply and installation services for LED products	530	–
Customer D	Finance leases	1,363	–
Customer E	Finance leases	725	–
Customer F	Finance leases	428	–
Customer G	Finance leases	352	–

[#] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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) Supply and installation services for LED products;
- (b) Trading of gas and petroleum products;
- (c) Management and operation of LED EMC;
- (d) Provision of finance lease and loan services and property investment; and
- (e) 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 head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, right-of-use assets, other receivables and bank balances; and
- all liabilities are allocated to operating segments other than certain loans from related companies, other payables, tax payables, deferred tax liabilities, lease liabilities and interest-bearing bank and other borrowings.

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.

Year ended 31 December 2023

	Supply and installation services for LED products <i>HK\$'000</i>	Trading of gas and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC <i>HK\$'000</i>	Provision of finance lease and loan services and property investment <i>HK\$'000</i>	Provision of land development services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
Leases	-	-	-	2,868	-	2,868
Trading of gas and petroleum products	-	-	-	-	-	-
Supply and provision of installation services for LED products	530	-	-	-	-	530
	<u>530</u>	<u>-</u>	<u>-</u>	<u>2,868</u>	<u>-</u>	<u>3,398</u>
Segment results	101	(13)	(1,036)	(3,325)	1,864	(2,409)
<i>Reconciliation:</i>						
Finance costs – unallocated						(39,007)
Corporate and other unallocated expenses						(7,171)
Loss before tax						(48,587)
Income tax expense						(3)
Loss for the year						<u>(48,590)</u>
Other segment information						
Interest income	-	-	-	162	1,918	2,080
Depreciation	-	(2)	-	(681)	-	(683)
Depreciation – unallocated						(940)
Share of profits of joint ventures	-	-	-	-	-	-
Finance costs	-	-	-	(101)	-	(101)
Capital expenditure*	-	-	-	-	-	-

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

	Supply and installation services for LED products <i>HK\$'000</i>	Trading of gas and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC <i>HK\$'000</i>	Provision of finance lease and loan services and property investment <i>HK\$'000</i>	Provision of land development services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	934	4	119,847	188,131	303,817	612,733
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(16,440)
Corporate and other unallocated assets						<u>22,444</u>
Total assets						<u><u>618,737</u></u>
Segment liabilities	1,666	33,914	211,294	302,360	549,271	1,098,505
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,006,921)
Corporate and other unallocated liabilities						<u>1,257,747</u>
Total liabilities						<u><u>1,349,331</u></u>

Year ended 31 December 2022

	Supply and installation services for LED products <i>HK\$'000</i>	Trading of gas and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC <i>HK\$'000</i>	Provision of finance lease and loan services and property investment <i>HK\$'000</i>	Provision of land development services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
Leases	-	-	-	3,113	-	3,113
Trading of gas and petroleum products	-	149,955	-	-	-	149,955
	<u>-</u>	<u>149,955</u>	<u>-</u>	<u>3,113</u>	<u>-</u>	<u>153,068</u>
Segment results	-	750	7,449	(1,402)	(6,696)	101
<i>Reconciliation:</i>						
Finance costs – unallocated						(38,841)
Corporate and other unallocated expenses						<u>(8,422)</u>
Loss before tax						(47,162)
Income tax expense						<u>(2)</u>
Loss for the year						<u><u>(47,164)</u></u>
Other segment information						
Interest income	-	-	-	208	1,914	2,122
Depreciation	-	-	-	(676)	(47)	(723)
Depreciation – unallocated						(943)
Share of profits of joint ventures	-	-	7,598	-	-	7,598
Finance costs	-	-	-	(514)	(4,522)	(5,036)
Capital expenditure*	-	7	-	-	-	7
	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>

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

	Supply and installation services for LED products <i>HK\$'000</i>	Trading of gas and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC <i>HK\$'000</i>	Provision of finance lease and loan services and property investment <i>HK\$'000</i>	Provision of land development services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	-	6	121,100	199,873	382,935	703,914
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(91,097)
Corporate and other unallocated assets						<u>30,331</u>
Total assets						<u><u>643,148</u></u>
Segment liabilities	-	33,846	208,758	310,302	551,491	1,104,397
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,013,208)
Corporate and other unallocated liabilities						<u>1,228,069</u>
Total liabilities						<u><u>1,319,258</u></u>

3. OTHER INCOME, GAINS AND LOSSES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Interest income	166	208
Promissory note interest income	<u>1,914</u>	<u>1,914</u>
Sub-total	<u>2,080</u>	<u>2,122</u>
Other gains and losses, net		
Exchange gains, net	20	91
Loss on disposal of property, plant and equipment	–	(3)
Gain on bargain purchases on acquisition of a subsidiary	78	–
Government grants (<i>Note (i)</i>)	27	1,676
Others	<u>(15)</u>	<u>117</u>
Sub-total	<u>110</u>	<u>1,881</u>
Total	<u><u>2,190</u></u>	<u><u>4,003</u></u>

Note:

- (i) Government grants are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to engage in research and development activities and refund of the value-added-tax (“VAT”) under the “immediate refund of VAT levied” policy.

4. FINANCE COSTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on bank and other borrowings	1,303	6,202
Interests on loans from related companies	37,589	37,355
Interests on lease liabilities	<u>216</u>	<u>320</u>
	<u><u>39,108</u></u>	<u><u>43,877</u></u>

5. INCOME TAX 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 PRC 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PRC Enterprise Income Tax (“EIT”):		
– Current tax	<u>3</u>	<u>2</u>

6. LOSS FOR THE YEAR

The Group’s loss for the year has been arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor’s remuneration		
– Annual audit	1,200	1,250
– Others	<u>100</u>	<u>200</u>
	<u>1,300</u>	<u>1,450</u>
Depreciation on property, plant and equipment	65	117
Depreciation of right-of-use assets	1,558	1,549
Employee benefit expense (excluding directors’ and chief executive’s remuneration):		
– Wages, salaries, allowances and benefits in kind	3,920	7,412
– Retirement scheme contributions	<u>168</u>	<u>366</u>
	<u>4,088</u>	<u>7,778</u>

7. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately HK\$49,386,000 (2022: approximately HK\$43,588,000), and the weighted average number of ordinary shares of 5,943,745,741 (2022: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for each of the year ended 31 December 2023 and 2022 as there are no dilutive potential ordinary shares.

8. DIVIDENDS

The directors do not recommend the payment of dividend to the shareholders of the Company (the “Shareholders”) for the year ended 31 December 2023 (2022: Nil).

9. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables – contracts with customers	52,912	53,715
Less: Allowance for ECLs	<u>(34,141)</u>	<u>(35,138)</u>
	<u>18,771</u>	<u>18,577</u>

The trade receivables are related to sales of construction materials and supply and installation services for LED products. The credit period granted to customers 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. In view of the aforementioned, 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.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	592	–
90–120 days	129	–
Over 1 year	<u>52,191</u>	<u>53,715</u>
	<u>52,912</u>	<u>53,715</u>

10. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on equipment in the 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 31 December 2023 and 2022, unguaranteed residual values of assets leased under finance leases are immaterial.

For the year ended 31 December 2023, the finance lease receivables decreased mainly due to repayments of finance lease receivables.

	Minimum lease payments		Present value of minimum lease payments	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Finance lease receivables comprise:				
Within one year	9,960	8,539	8,781	7,186
In the second year	4,865	8,356	4,436	7,443
In the third year	472	3,112	398	3,013
	<u>15,297</u>	<u>20,007</u>	<u>13,615</u>	<u>17,642</u>
Less: unearned finance income	<u>(1,682)</u>	<u>(2,365)</u>		
Present value of minimum lease payments	<u>13,615</u>	<u>17,642</u>		
Analysed for reporting purposes as:				
Current assets	8,781	7,186		
Non-current assets	4,834	10,456		
	<u>13,615</u>	<u>17,642</u>		

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

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

Effective interest rates of the above finance leases range from 7.3% to 9% (2022: 7.3% to 9%) per annum.

11. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	493	–
Over 1 year	<u>7,241</u>	<u>7,452</u>
	<u>7,734</u>	<u>7,452</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Reference are made to (i) the announcements of the Company dated 7 September 2022, 9 September 2022, 19 September 2022, 17 November 2022 and 28 November 2022, respectively, in relation to, among others, the decision of the Listing Committee to suspend trading in the shares of the Company; (ii) the announcements of the Company dated 5 December 2022 and 4 April 2023, respectively, in relation to, among others, the Resumption Guidance; (iii) the announcement of the Company (the “**Voluntary Announcement**”) dated 24 February 2023 in relation to the development regarding the LED Business; (iv) the announcements of the Company dated 28 February 2023, 25 May 2023, 24 August 2023, 27 November 2023 and 28 February 2024 (the “**Quarterly Update Announcements**”) in relation to the quarterly update on suspension of trading; and (v) the announcements of the Company dated 29 March 2023, 14 April 2023 and 10 October 2023 (the “**Delay in Publication of 2022 Annual Results Announcements**”), respectively, in relation to, among others, the delay in publication of the annual results of the Group (the “**2022 Annual Results**”) for the year ended 31 December 2022, and the announcement of the Company dated 8 April 2024 in relation to the delay in publication of the annual results of the Group (the “**2023 Annual Results**”) for the year ended 31 December 2023 (collectively, the “**Announcements**”). Unless otherwise specified, capitalised terms used in this “Management Discussion And Analysis” shall have the same meanings as those defined in the Announcements.

BUSINESS REVIEW

The Group is principally engaged in (i) management and operation of light-emitting diode (“**LED**”) energy management contracts (“**EMC**”) in the PRC (the “**LED Business**”); (ii) provision of finance lease and loan services and property investment (the “**Finance Lease Business**”); (iii) provision of the public-private partnership class 1 land development services and sale of construction materials (the “**Land Development Business**”); (iv) trading of gas and petroleum products business (the “**Gas and Petroleum Products Business**”); and (v) supply and installation services for LED products.

In January 2023, the borders with Mainland China were re-opened and Hong Kong was expected to return to normalcy with the resumption of Mainland travel. However, the pace of recovery was far below the expectations and most businesses did not benefit from the re-opening in the first half of 2023. Despite the effort put in by the Hong Kong Government to improve the economy in the second half of 2023, the effect was not that helpful as expected. Our Group was not an exception to the general situation of the China and Hong Kong economies. The Group continued to be affected by the litigation issues in China and Hong Kong, the details of which can be referred to the latest announcement of the Company dated 28 February 2024 and earlier related announcements.

Despite of lawsuits in China and Hong Kong, and facing the new challenges and changes, our Group are gathering our strength to explore various opportunities to develop new businesses not only to fulfil the resumption requirements of the Stock Exchange but also to meet the expectations of our shareholders to fully resume back to the normal track of recovery and prosperity.

FINANCIAL REVIEW

During the Year, the consolidated revenue of the Group amounted to approximately HK\$3.4 million (2022: approximately HK\$153.1 million), decreased by approximately 97.8% as compared with last year, which was mainly attributable to the decrease in Gas and Petroleum Products Business in 2023.

The net loss of the Group was approximately HK\$48.6 million during the Year, representing an increase of approximately HK\$1.4 million as compared with the net loss of approximately HK\$47.2 million last year. The increase in net loss was mainly attributable to the net effect of (i) decrease in other income, gains and losses of approximately HK\$1.8 million as government grants decreased; (ii) decrease in share of profits of joint ventures by approximately HK\$7.6 million during the Year; and (iii) decrease in finance costs of approximately HK\$4.8 million upon repayment of certain bank loans during 2022.

OPERATIONAL REVIEW

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

During the Year, the revenue recorded from finance lease business decreased to approximately HK\$2.9 million (2022: approximately HK\$3.1 million) representing a decrease of approximately 6%.

(2) PPP Class 1 Land Development Business

During the Year, no revenue was recorded in the Group's business in the Land Development (2022: Nil).

(3) LED EMC Business

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

During the Year, no revenue was recorded in the Group in LED EMC Business (2022: Nil).

(4) Gas and Petroleum Products Business

During the Year, no revenue was recorded in the Group's business (2022: HK\$150.0 million), which is mainly due to the decrease in Gas and Petroleum Products Business.

(5) Supply and installation services for LED products

During the year, the Group also has a new subsidiary to carry on the supply and installation services for LED products business. The business just started and HK\$530,000 revenue was recorded at the year ended.

FINANCIAL RESOURCES

As at 31 December 2023, 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\$1,346.7 million (2022: approximately HK\$1,316.6 million). Cash and bank balances amounted to approximately HK\$20.7 million (2022: approximately HK\$27.7 million). Net debt amounted to approximately HK\$1,326 million (2022: approximately HK\$1,288.9 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\$672.6 million (2022: approximately HK\$691.4 million), was 197.1% (2022: 186.4%).

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 (2022: Nil).

STAFF BENEFITS

As at 31 December 2023, the Group had a total of 22 employees (2022: 24). The staff costs for the Year amounted to approximately HK\$4.1 million (2022: approximately HK\$7.8 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 2023, no assets of the Group were pledged as security for bank borrowings granted.

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 Year.

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

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

PROSPECTS

Looking forward, the Group will closely monitor and solve the issues relating to the Rule 13.24 of the Listing Rules. Simultaneously, the Group will continue to explore new business opportunities for corporate development and dedicate to develop sustainable current business, in order to enhance its financial performance and create value for the shareholders of the Company.

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 C1 to the Listing Rules during the Year, save and except as disclosed hereunder:

- (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 separated and served by different individuals to achieve a balance of authority and power. Mr. Chang Chien (“**Mr. Chang**”) was appointed as an executive Director with effect from 18 September 2020, and subsequently, he has been appointed as the chairman of the Board with effect from 4 February 2022 to fill the vacancy after Mr. Chan’s resignation. 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, removal, vacation or termination of the office as a Director, and disqualification to act as a Director 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by directors. The Directors are required to strictly comply with the Model Code when dealing in the securities of the Company.

Having made specific enquiry, all Directors have confirmed their full compliance with the required standards set out in the Model Code during the Year.

AUDITOR’S DISCLAIMER OF OPINION

The Company’s auditor has issued a disclaimer of opinion on the Group’s consolidated financial statements for the year ended 31 December 2023, an extract of which is as follows:

Extract of Independent Auditor’s Report on the Company’s Consolidated Financial Statements for the year ended 31 December 2023

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Intangible assets and related deferred tax liabilities

*The intangible assets are recognised in respect of land development contracts in relation to the PPP Class 1 land Central New Coastal City and the construction of Ronggang Avenue entered by an indirectly non-wholly owned subsidiary, i.e. AVIC International (Fujian) Industrial Co., Ltd (“**AVIC Fujian**”) (collectively referred to as the “**Project**”). While the related deferred tax liabilities are recognised for the taxable temporary differences in respect of intangible assets, at the tax rate of 25%.*

Due to changes in relevant domestic laws and regulations and changes in the government attitude towards the Project, the development of the Project was suspended since November 2017 and impairments were provided on the intangible assets and related deferred tax liabilities recognised were then credited to profit or loss during the years ended 31 December 2020 and 2019.

The Group filed a lawsuit with Intermediate People’s Court of Putian Municipality (the “Putian Court”) in May 2018, aiming to request the 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 in relation to the Project. The Group then filed an appeal to the High People’s Court of Fujian Province (the “High People’s Court”) in June 2020 to protect its interests and the High People’s Court accepted the appeal in August 2020. On 30 May 2022, the Group had received an Administrative Judgment from the High People’s Court that the appeal filed by the Group to the High People’s Court has been dismissed. Up to the date of this report, the Group is still seeking legal advice in respect of the Administrative Judgment and appropriate actions will be taken if so advised.

Due to the outcome of any further actions that might be taken by the Group is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the intangible assets on the consolidated statement of financial position as at 31 December 2023 and 2022 of approximately HK\$Nil and HK\$Nil, respectively, and to the related impairment of intangible assets on the consolidated statement profit or loss of approximately HK\$Nil and HK\$Nil respectively for the years ended 31 December 2023 and 2022. We were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the deferred tax liabilities on the consolidated statement of financial position as at 31 December 2023 and 2022 of approximately HK\$Nil and HK\$Nil, respectively and to the deferred tax on the consolidated statement profit or loss of approximately HK\$Nil and HK\$Nil respectively for the years ended 31 December 2023 and 2022. There are no other satisfactory audit procedures that we could adopt to determine the recoverability and accuracy of the intangible assets and related deferred tax liabilities.

2. Contract costs

Contract costs represented capital expenditures incurred related to the Project, which were recognised in AVIC (Fujian) Construction Investment Co., Ltd., a subsidiary of AVIC Fujian. Land preparation works were done during the years 2014 to 2018 and the costs mainly included demolition compensation fees, survey fees and related construction costs. With reference to the clauses in the Investment and Construction Cooperation Agreement signed between the government and the Group in relation to the Project, in the case of the termination or dissolution caused by the breach of contract or the reasons non-attributable to the Group, the government shall pay the Group the amount of compensation for the actual investment, interest and construction costs that the Group has been paid in the Project.

As discussed above in the first modification, the Group might take further actions to resolve the dispute and claim the compensation from the government. Due to the outcome of any further actions that might be taken by the Group is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the contract costs of the AVIC Fujian and its subsidiary on the consolidated statement of financial position as at 31 December 2023 and 2022 of approximately HK\$290,065,000 and HK\$298,534,000 respectively. There are no other satisfactory audit procedures that we could adopt to determine the recoverability of the contract costs.

In addition, as discussed below in the fifth modification, due to limited accounting books and records of the subsidiary of AVIC Fujian, we were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy, existence and completeness of the contract costs on the consolidated statement of financial position as at 31 December 2023 and 2022.

3. Promissory note receivables

*On 4 December 2015, Kingfun Investment Limited (“**Kingfun**”) acquired 17.5% issued shares of Spotwin Investment Limited (“**Spotwin**”) from the Group. Spotwin is the holding company of those project companies of the Project. Kingfun issued the promissory note to the Group to settle part of the considerations. The promissory note was originally due on 15 June 2018, and a deed of replacement as entered and the maturity date was then extended to 15 June 2019. No repayments received or new deed of replacement was entered on the due date, an impairment loss of approximately HK\$26,700,000 was recognised during the year ended 31 December 2019.*

Since the promissory note was secured by the 17.5% of the issued share capital of Spotwin, its recoverable amount mainly depends on continuation of the Project, which the result is uncertain depends on the outcome of any further actions that might be taken by the Group as mentioned above in the first modification. Due to the outcome of any further actions that might be taken by the Group is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of promissory note receivables of approximately HK\$62,300,000 and HK\$62,300,000 and related interest receivables of approximately HK\$12,525,000 and HK\$10,611,000 as at 31 December 2023 and 2022 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether any expected credit losses on promissory note receivables and related interest receivables for the years ended 31 December 2023 and 2022 should be recognised or reversed.

4. Trade receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of trade receivables of the AVIC Fujian of approximately HK\$18,050,000 and HK\$18,577,000 respectively as at 31 December 2023 and 2022. The customers have repaid part of outstanding balances during the previous years while the aforesaid remaining balances are past due as at 31 December 2023 and 2022. In March 2021, the customers signed the repayment schedules with the Group and agreed to repay outstanding balances by 30 June 2021. However, the customers failed to repay according to repayment schedules. Thus, we considered that there is uncertainty on assessing the creditworthiness of the customers and recoverability of outstanding trade receivables. There are no other satisfactory audit procedures that we could adopt to determine whether the expected credit losses on trade receivables for the years ended 31 December 2023 and 2022 should be recognised or reversed.

In addition, as discussed below in the fifth modification, due to limited accounting books and records of the AVIC Fujian, we were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy, existence and completeness of the trade receivables on the consolidated statement of financial position as at 31 December 2023 and 2022.

5. Limited accounting books and records of two subsidiaries

*Since 2022, the Group had repeated request two of its subsidiaries, i.e. AVIC Fujian and its subsidiary for the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022 but the Group still unable to obtain them. Therefore, on 20 September 2023, the Group filed a lawsuit with Fuzhou Gulou District People’s Court in Fujian Province to request AVIC Fujian and its subsidiary to provide its accounting books and records. On 26 December 2023, the Fuzhou Gulou District People’s Court has issued a judgment to order AVIC Fujian and its subsidiary to provide its accounting books and records to the Group within 20 days after the effective date of judgment. AVIC Fujian filed the appeal in March 2024 to the Fuzhou Intermediate People’s Court in Fujian Province (“**Intermediate People Court**”) to set aside the judgment. On 10 April 2024, the Intermediate People Court dismissed the appeal and the original judgment was upheld. The Group is in the progress in enforcing court judgments to obtain the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022. Up to date of this report, the accounting books and records in respect of the AVIC Fujian and its subsidiary has not yet been obtained by the Group.*

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022, in addition to second and fourth modifications, we were unable to carry out audit procedures to satisfy ourselves as to the accuracy, existence and completeness of the following income and expenses and other comprehensive income for each of the years ended 31 December 2023 and 2022, the assets and liabilities as at 31 December 2023 and 2022 and the balances and movements of exchange fluctuation reserve and non-controlling interests for each of the years ended 31 December 2023 and 2022 of AVIC Fujian and its subsidiary, as detailed below, and other related disclosure notes in relation to the AVIC Fujian and its subsidiary, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Income and expenses and other comprehensive income for the each of the years ended 31 December 2023 and 2022:

	2023	2022
	HK\$'000	HK\$'000
<i>Other income, gains and losses</i>	–	5
<i>Administrative expenses</i>	–	(4,048)
<i>Finance costs</i>	–	(4,522)
	<hr/>	<hr/>
<i>Loss for the year</i>	–	(8,565)
<i>Exchange differences on translation of foreign operations</i>	–	1,070
	509	1,070
	<hr/>	<hr/>
<i>Total comprehensive expenses for the year</i>	509	(7,495)
	<hr/> <hr/>	<hr/> <hr/>
<i>Loss for the year attributable to:</i>		
– <i>Owners of the Company</i>	–	(4,240)
– <i>Non-controlling interests</i>	–	(4,325)
	<hr/>	<hr/>
	–	(8,565)
	<hr/> <hr/>	<hr/> <hr/>
<i>Total comprehensive expenses attributable to:</i>		
– <i>Owners of the Company</i>	252	(3,710)
– <i>Non-controlling interests</i>	257	(3,785)
	<hr/>	<hr/>
	509	(7,495)
	<hr/> <hr/>	<hr/> <hr/>

Assets and liabilities as at 31 December 2023 and 2022:

	2023	2022
	HK\$'000	HK\$'000
<i>Property, plant and equipment</i>	84	86
<i>Prepayments, deposits and other receivables</i>	262	268
<i>Bank balances and cash</i>	51	52
<i>Trade payables</i>	(7,241)	(7,452)
<i>Other payables and accruals</i>	(30,967)	(31,871)
<i>Bank and other borrowings</i>	(150,137)	(154,520)
<i>Loans from non-controlling shareholders</i>	(2,110)	(2,171)
	<hr/> <hr/>	<hr/> <hr/>

Balances of exchange reserve and non-controlling interests as at 31 December 2023 and 2022:

	2023 HK\$'000	2022 HK\$'000
Exchange fluctuation reserve	(3,117)	(3,369)
Non-controlling interests	<u>(8,798)</u>	<u>(9,055)</u>

6. Investments in joint ventures, amounts due from joint ventures and finance lease receivables from joint ventures

As stated in note 17 to the consolidated financial statements, there are various legal disputes between the Group, AVIC Tianxu and Jia Lian International Limited (“**Jia Lian**”), the Group is unable to obtain the accounting books and records in respect of Jia Lian and its subsidiaries (collectively referred to as the “**Jia Lian Group**”) for each of the years ended 31 December 2023 and 2022 to prepare the consolidated financial statements for each of the years ended 31 December 2023 and 2022.

Considered that no final result from legal proceedings and due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Jia Lian Group for each of the years ended 31 December 2023 and 2022, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the investments in joint ventures on the consolidated statement of financial position as at 31 December 2023 and 2022 of approximately HK\$91,966,000 and HK\$94,718,000 respectively, and to the accuracy of the related share of profits of joint ventures on the consolidated statement of profit or loss of approximately HK\$Nil and HK\$7,598,000 and the related share of joint ventures’ exchange differences on translation of foreign operations on the consolidated statement of comprehensive income of approximately HK\$2,752,000 and HK\$7,424,000 for each of the years ended 31 December 2023 and 2022 respectively. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the finance lease receivables from joint ventures as at 31 December 2023 and 2022 of approximately HK\$3,982,000 and HK\$4,098,000 respectively, and to the accuracy of the related finance lease income, included in revenue on the consolidated statement of profit or loss of approximately HK\$Nil and HK\$744,000 for each of the years ended 31 December 2023 and 2022 respectively. In addition, we were also unable to ascertain the accuracy and recoverability of the amounts due from joint ventures of approximately HK\$101,602,000 and HK\$104,702,000 on the consolidated statement of financial position as at 31 December 2023 and 2022 respectively, and to whether any expected credit losses should be recognised on the amounts due from joint ventures for each of the years ended 31 December 2023 and 2022.

Any adjustments to the figures as described from points 1 to 6 above might have a significant consequential effect on the consolidated Group’s financial performance and consolidated cash flows for each of the two years ended 31 December 2023 and 2022, and on the Group’s consolidated financial position as at 31 December 2023 and 2022 and the related disclosures thereof in the consolidated financial statements.

REVIEW BY AUDIT COMMITTEE

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

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

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 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year.

The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT

This audited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.avicjoyhk.com).

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 29 November 2022. Pending fulfilment of the Resumption Guidance, trading in the shares of the Company on the Stock Exchange will remain suspended until further notice.

Please note that the above-mentioned development does not necessarily indicate that trading in the Company's Shares will be resumed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 28 May 2024

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

Executive Directors

Mr. Chang Chien (Chairman), Mr. Lam Toi Man and Mr. Zhu Chengye

Independent Non-Executive Directors

Mr. To Chun Kei, Mr. Lok Tze Bong and Mr. Cheung Ting Pong

* *For identification purpose only*