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 2020

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 2020 together with the comparative figures for 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

	Notes	**For the six months ended 30 June 2020 HK$'000 (Unaudited)**	2019 *HK$'000* (Unaudited)
Continuing operations			
Revenue – Leases	*4*	**3,285**	3,969
Other income, gains and losses	*5*	**9,716**	1,691
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		–	(67)
Administrative expenses		**(13,229)**	(21,036)
Impairment of intangible assets		**(225,000)**	–
Gain on disposal of subsidiaries, net	*15*	**34,823**	–
Finance costs	*6*	**(39,428)**	(56,998)
Share of profits of joint ventures		**13,957**	357
Loss before tax		**(215,876)**	(72,084)
Income tax credit	*7*	**54,763**	69
Loss for the period from continuing operations		**(161,113)**	(72,015)

	Notes	For the six months ended 30 June **2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Discontinued operations			
Loss for the period from discontinued operations	*9*	–	(1,248)
Loss for the period		**(161,113)**	(73,263)
Attributable to:			
Owners of the Company		**(74,196)**	(69,681)
Non-controlling interests		**(86,917)**	(3,582)
		(161,113)	(73,263)
LOSS PER SHARE	*10*		
From continuing and discontinued operations			
Basic and diluted		**(HK1.25 cents)**	(HK1.17 cents)
From continuing operations			
Basic and diluted		**(HK1.25 cents)**	(HK1.15 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(161,113)**	(73,263)
Other comprehensive (expenses)/income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2,599)**	890
Reclassification adjustment for foreign operations disposed of during the period	**(38,142)**	–
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on investment in equity instrument at fair value through other comprehensive income	**–**	(10,000)
Other comprehensive expenses for the period	**(40,741)**	(9,110)
Total comprehensive expenses for the period	**(201,854)**	(82,373)
Total comprehensive expenses attributable to:		
Owners of the Company	**(114,937)**	(78,794)
Non-controlling interests	**(86,917)**	(3,579)
	(201,854)	(82,373)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**839**	2,995
Right-of-use assets		**1,413**	2,448
Investment properties		–	19,712
Intangible assets		–	225,000
Investments in joint ventures		**73,575**	59,618
Prepayments and deposits		**382**	229
Finance lease receivables	14	**35,688**	49,253
		111,897	359,255
CURRENT ASSETS			
Contract costs		**288,271**	285,352
Trade receivables	13	**17,986**	21,245
Prepayments, deposits and other receivables		**8,051**	17,376
Finance lease receivables	14	**87,515**	90,674
Promissory note receivable		**62,300**	62,300
Amounts due from joint ventures		**118,570**	128,394
Bank balances and cash		**114,348**	33,051
		697,041	638,392
Assets classified as disposal group held for sale		–	1,528,468
		697,041	2,166,860
CURRENT LIABILITIES			
Trade payables	16	**7,201**	8,550
Other payables and accruals		**145,559**	127,487
Lease liabilities		**922**	1,492
Interest-bearing bank and other borrowings		**262,693**	202,634
Loans from related companies		**800,470**	206,979
Loans from joint ventures		**5,486**	13,343
Loans from non-controlling shareholders		**32,131**	32,189
Tax payable		**3,927**	2,454
		1,258,389	595,128
Liabilities classified as disposal group held for sale		–	1,208,635
		1,258,389	1,803,763
NET CURRENT (LIABILITIES)/ASSETS		**(561,348)**	363,097
TOTAL ASSETS LESS CURRENT LIABILITIES		**(449,451)**	722,352

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**479**	904
Interest-bearing bank and other borrowings		**75,029**	195,861
Loans from related companies		**23,184**	815,626
Loans from non-controlling shareholders		**–**	–
Deferred tax liabilities		**232**	56,482
		98,924	1,068,873
NET LIABILITIES		**(548,375)**	(346,521)
CAPITAL AND RESERVES			
Share capital		**2,234,815**	2,234,815
Other reserves		**(2,731,631)**	(2,616,694)
Equity attributable to owners of the Company		**(496,816)**	(381,879)
Non-controlling interests		**(51,559)**	35,358
		(548,375)	(346,521)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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**").

For the six months ended 30 June 2020 (the "**Period**"), the principal business activities of 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**") through its investment in a joint venture in the People's Republic of China (the "**PRC**" or "**China**").

1A. SIGNIFICANT EVENT AND TRANSACTION IN THE CURRENT INTERIM PERIOD

On 4 February 2020, the Group has entered into a equity transaction agreement with an independent third party for the disposal of its entire equity interest in 上海商聚實業有限公司 (Shanghai Shangju Enterprise Co., Ltd.) and its subsidiaries (collectively referred to as "**Shanghai Shangju**") at a consideration of RMB337,010,000 (equivalent to approximately HK$367,341,000). The disposal has been completed as on 30 March 2020, on which date the Group lost control of Shanghai Shangju.

Regarding the intangible assets in respect of land development contracts in relation to the land development of New Central Coastal City (中部濱海新城) and construction work of Ronggang Boulevard (融港大道), as the ultimate outcome of the appeal filed to the High People's Court of Fujian Province (福建省高級人民法院) on 24 June 2020 as disclosed in the announcement of the Company dated 2 July 2020 cannot be assessed. Accordingly, additional impairment amounted to HK$225,000,000 was made in profit or loss for the current period.

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 2019 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 2019 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 those financial statements. The auditor's report was unqualified; included a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the 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$161 million for the period ended 30 June 2020 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$548 million as at 30 June 2020. The Group's total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loan from a joint venture and loans from non-controlling shareholders) amounted to approximately HK$1,199 million, out of which bank and other borrowings of approximately HK$263 million and loans from related companies, loans from joint ventures and loans from non-controlling shareholders of approximately HK$838 million are due for repayment in the next twelve months from the date of approval of these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

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.

Major line of business in the sales of compressed natural gas ("**CNG**") and petroleum products was discontinued. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 10. The comparative figures have been restated to exclude the sales of CNG and petroleum products operation in segment results.

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 impairment of amounts due from joint ventures and certain finance costs, depreciation and amortisation, 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 2020 and 2019.

	Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**–**	–	**3,285**	3,969	**–**	–	**3,285**	3,969
Segment results	**13,952**	333	**8,135**	(41,972)	**(228,743)**	(2,534)	**(206,656)**	(44,173)
Reconciliation:								
Finance costs – unallocated							**(21,815)**	(21,350)
Corporate and other unallocated income (expenses)							**12,595**	(6,627)
Loss before tax							**(215,876)**	(72,150)
Income tax credit							**54,763**	69
Loss for the period							**(161,113)**	(72,081)

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**212**	59
Promissory note interest income	**–**	870
Gross rental income	**–**	619
	212	1,548
Other gains and losses, net		
Exchange (losses)/gains, net	**(2,831)**	91
Fair value losses on investment properties	**(2,340)**	–
Others	**14,675**	52
	9,504	143
	9,716	1,691

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	**19,771**	37,142
Interest on loans from related companies	**19,618**	12,679
Interest on loans from non-controlling shareholders	**–**	5,646
Interest on lease liabilities	**39**	62
Amortisation of financing arrangement fees	**–**	1,469
	39,428	56,998

7. INCOME TAX 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 (2019: 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
Current – PRC Enterprise Income Tax	**54,763**	69

8. LOSS FOR THE PERIOD – CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**270**	690
Depreciation on items of property, plant and equipment	**176**	237
Depreciation on right-of-use assets	**497**	1,880
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**3,925**	4,747
Pension scheme contributions	**50**	58
	3,975	4,805

9. DISCONTINUED OPERATIONS

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

The loss from the discontinued sales of compressed natural gas ("**CNG**") and petroleum products operation for the preceding interim period is set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the sales of CNG and petroleum products operation as a discontinued operation.

	Six months ended 30 June 2019 *HK$'000*
Loss of CNG and petroleum products operation for the period	(1,248)

The results of the sales of CNG and petroleum products operations for preceding interim period were as follows:

	Six months ended 30 June 2019 *HK$'000*
Revenue – Contracts with customers	32,845
Cost of sales	(22,789)
Gross profit	10,056
Other income, gains and losses	31
Impairment losses under expected credit loss ECL model, net of reversal	(1,177)
Selling and distribution expenses	(4,758)
Administrative expenses	(4,152)
Other expenses	(12)
Finance costs	(883)
Loss before tax	(895)
Income tax expense	(353)
Loss of the sales of CNG and petroleum products operation for the period	(1,248)
	(1,248)

Profit for the preceding interim period from discontinued operations includes the followings:

	Six months ended 30 June 2019 *HK$'000*
Auditor's remuneration	–
Depreciation of property, plant and equipment	1,729
Depreciation of right-of-use assets	1,435
Amortisation of intangible assets	46

During the six months ended 30 June 2019, Crystal Concept paid HK$7.97 million to the Group's net operating cash flows, contributed HK$5.00 million in respect of investing activities and paid HK$7.30 million in respect of financing activities.

The carrying amounts of the assets and liabilities of Crystal Concept at the date of disposal are disclosed in the Group's consolidated financial statements for the year ended 31 December 2019, which is publicly available.

10. LOSS PER SHARE

For continuing operations

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$74,196,000 (2019: HK$68,143,000), and the weighted average number of ordinary shares of 5,943,745,741 (2019: 5,943,745,741) in issue during the period.

From continuing and discontinued operations

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$74,196,000 (2019: HK$69,681,000), and the weighted average number of ordinary shares of 5,943,745,741 (2019: 5,943,745,741) in issue during the period.

From discontinued operations

The basic and diluted loss per share from the discontinued operations for the six months ended 30 June 2019 was HK0.03 cents. The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$1,538,000, and the weighted average number of ordinary shares of 5,943,745,741 in issue during the preceding interim period.

No adjustment has been made to the basic loss per share amounts presented for the six months period ended 30 June 2020 and 2019 in respect of a dilution for continuing operations, from continuing and discontinued operations, and from discontinued operations respectively as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (2019: nil). The directors of the Company do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2020.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the current interim period, no spending (2019: HK$102,000) on acquisition of property, plant and equipment.

13. TRADE RECEIVABLES

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 *HK$'000* (Audited)
Trade receivables	**51,941**	56,134
Less: Allowance for credit losses	**(33,955)**	(34,889)
	17,986	21,245

The trade receivables are all relating to the provision of land development services and 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 has concentration of credit risk as 84% (31 December 2019: 85%) of the total trade receivables was due from the Group's largest customer. The Group performs impairment assessment under ECL model on trade balances based on individual assessment. The management has based on the past repayment pattern with forward looking information to determine the provision rate of ECL for significant gross balances.

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 2020 HK$'000 (Unaudited)	31 December 2019 *HK$'000* (Audited)
0 to 90 days	**–**	–
91 to 120 days	**–**	–
121 days to 1 year	**–**	–
Over 1 year	**51,941**	56,134
	51,941	56,134

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$17,986,000 (31 December 2019: HK$21,245,000) 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 expects that the debtor is able and likely to pay for the debts based on repayment history.

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 two to four years.

The majority of lease contracts are with guaranteed residual values. As at 30 June 2020 and 31 December 2019, unguaranteed residual values of assets leased under finance leases are immaterial.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**93,820**	100,716	**90,515**	93,674
In the second year	**24,160**	27,726	**22,045**	25,791
In the third year	**11,870**	22,804	**10,497**	21,544
In the fourth year	**5,750**	2,541	**3,146**	1,918
	135,600	153,787	**126,203**	142,927
Less: unearned finance income	**(9,397)**	(10,860)		
Present value of minimum lease payments	**126,203**	142,927		
Less: impairment loss	**(3,000)**	(3,000)		
	123,203	139,927		
Analysed for reporting purposes as:				
Current assets	**87,515**	90,674		
Non-current assets	**35,688**	49,253		
	123,203	139,927		

Effective interest rates of the above finance leases range from 6% to 9.3% (31 December 2019: 6% to 9.3%).

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.

The Group performs impairment assessment under ECL model on finance lease receivables based on individual assessment. The management has based on the past repayment pattern with forward looking information to determine the provision rate of ECL.

As at 30 June 2020, the Group's finance lease receivables with aggregate carrying amount of HK$123,203,000 (31 December 2019: HK$139,927,000) were pledged as security for the Group's certain bank loans.

15. DISPOSAL GROUP HELD FOR SALE/DISPOSAL OF SUBSIDIARIES

(a) As at 31 December 2019, Shanghai Shangju, which holds one of the Group's property investment operations, were expected to be sold within twelve months. The assets and liabilities attributable to Shanghai Shangju have been classified as a disposal group held for sale. On 4 February 2020, the Group has entered into an equity transaction agreement with an independent third party for the disposal of its entire equity interest in Shanghai Shangju at a consideration of RMB337,010,000 (equivalent to approximately HK$367,341,000). The disposal has been completed on 30 March 2020, on which date the Group lost control of Shanghai Shangju.

(b) On 24 April 2020, the Group entered into a share transfer agreement with an independent third party, for the disposal of its entire equity interest in Wai Cheong Watch Metal Dial Works Ltd. (the "**Wai Cheong**") at a consideration of HK$1,360,000. The disposal has been completed on 22 May 2020 on which date the Group lost control of Wai Cheong.

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 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**–**	–
91 to 120 days	**–**	–
Over 120 days	**7,201**	8,550
	7,201	8,550

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2020 (the "**Period**"), the principal business activities of 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**") through its investment in a joint venture in the People's Republic of China (the "**PRC**" or "**China**").

During the Period, the revenue of the Group amounted to HK$3,285,000 (2019: HK$36,814,000), representing a decrease of 91.1% as compared with the corresponding period of last year, which mainly attributed to the disposal of remaining subsidiaries in gas business in the second half of last year and then the Group ceased the gas business.

The Group's gross profit for the Period was HK$3,285,000 (2019: HK$14,025,000), representing a decrease of 76.6% as compared with the corresponding period of last year, with gross profit margin increased from 38.1% to 100% as the finance lease business recognized the revenue by net method.

The net loss of the Group was HK$161,113,000 during the Period as compared with the net loss of HK$73,263,000 in the corresponding period of last year. The increase in net loss was mainly attributable to an impairment loss on the Group's assets in relation to the PPP's project from HK$0 to HK$225,000,000.

Operational Review

(1) Gas Business

During the Period, the Group did not record any revenue from the gas business (2019: HK$32,845,000), since the Group had completed the withdrawal from all gas businesses in 2019.

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

For the Period, the finance lease business and loan services and property investment segment recorded a slightly decrease in revenue from HK$3,969,000 to HK$3,285,000 as compared with the corresponding period of last year.

During the Period, the Group participated in the public tender process (listing-for-sale) conducted on Shanghai United Assets and Equity Exchange Co., Ltd. (上海聯合產權交易所有限公司) ("**SUAEE**"), which is an open exchange platform for the trading of assets and equities, to dispose of the commercial properties located in Shanghai. For details, please refer to the circular of the Company dated 12 December 2019 and the announcements of the Company dated 14 November 2019, 31 December 2019 and 11 February 2020. In recent years, the market price of Grade-A office buildings in Shanghai's core business district fluctuates sharply and the sale of the properties recorded a loss of approximately HK$190.0 million. Although the sale recorded a relatively large loss, it can avoid the significant long-term operating burden of continuing to hold the properties. The proceeds from the disposal can also be used to repay some interest-bearing debts of the Group so as to improve the overall asset and liability state of the Group.

(3) PPP Class 1 Land Development Business

During the Period, no sales revenue was recorded in the Group's business in the PPP Class 1 land 中部濱海新城 (Central New Coastal City) and the construction of 融港大道 (Ronggang Avenue) (collectively referred to as the "**Project**") at Fuqing City, Fujian Province (2019: Nil).

During the Period, the loss of this segment increased to approximately HK$228,743,000 (2019: approximately HK$2,534,000), mainly due to the impairment of intangible assets as the ultimate outcome of the appeal filed to the High People's Court of Fujian Province (福建省高級人民法院) on 24 June 2020 as disclosed in the announcement of the Company dated 2 July 2020 cannot be assessed.

Business Outlook

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

In recent years, the Group has managed to optimize asset allocation and reduce investment losses through the sale of gas businesses with unsatisfactory development prospects and properties that continue to record losses. Looking forward, the Group will continue to optimize and restructure its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the epidemic, the Group will strongly support the development of the finance lease business of its subsidiary 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.

* *English translation for reference only.*

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 the 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 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 by the Group. As a result, the land development of the Project will continue to be suspended. Although the Group has filed an appeal to the High People's Court of Fujian Province (福建省高級人民法院) in order to protect its interests, the uncertainty of the appeal will make it more difficult for the Project to restart and development. The Group will still try its best to restart the Project as soon as possible.

Financial Resources

As at 30 June 2020, the Group's total debts (including trade payables, other payables and accruals, loans from joint ventures, interest-bearing bank and other borrowings, loans from related companies and loans from non-controlling shareholders) amounted to HK$1,352 million (31 December 2019: HK$1,603 million). Cash and bank balances amounted to HK$114 million (31 December 2019: HK$33 million). Net debt amounted to HK$1,238 million (31 December 2019: HK$1,570 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 HK$741 million (31 December 2019: HK$1,118 million), was 167.1% (31 December 2019: 132.1%).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Period (2019: Nil).

Material Acquisition and Disposal and Significant Investment

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

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

Upon completion, Shanghai Shangju ceased to be a subsidiary of the Company and the financial results of Shanghai Shangju and its subsidiaries were no longer consolidated into the financial statements of the Group.

Save as disclosed herein, 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 2020, the Group had a total of 32 employees (2019: 127). The staff costs for the Period amounted to HK$4.2 million (2019: HK$8.3 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 and the sustainable development of the Group.

Pledge of Assets

As at 30 June 2020, the Group had pledged certain finance lease receivables for bank and other borrowings granted.

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

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

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

On or prior to 31 December 2018, the Company redeemed from two out of the six noteholders their Convertible Notes in the aggregate principal amount of HK$56,000,000. As at 27 March 2020, the Company repaid HK$23,520,000 (representing 28% of the outstanding principal amount of HK$84,000,000 of the Convertible Notes) in aggregate to the remaining four noteholders. On 20 April 2020, the Company received four statutory demands issued under Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) from the legal advisers to the remaining four noteholders. Please refer to the announcements of the Company dated 31 December 2018, 27 March 2020 and 21 April 2020 for details.

CORPORATE GOVERNANCE PRACTICES

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

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

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

(ii) code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors (including independent non-executive Directors) have been appointed without specific terms. However, the non-executive Directors 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 appointment. The Company did not have letters of appointment for the 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 laws, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and other applicable legal and regulatory requirements.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiry 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 the independent non-executive Directors, namely Mr. GUO Wei (chairman of the Audit Committee), Ms. WU Rui and Mr. JIANG Ping, 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 Period 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 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 websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2020

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