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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 2020

The board (the “**Board**”) of directors (the “**Directors**”) of AVIC Joy Holdings (HK) Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	Year ended 31.12.2020 HK\$'000	Year ended 31.12.2019 HK\$'000
CONTINUING OPERATIONS			
Revenue	2	5,903	15,546
Cost of sales		—	—
Gross profit		5,903	15,546
Other income, gains and losses	3	8,484	11,770
Reversal of expected credit losses (“ECLs”)/ (ECLs) on financial assets	2	7,000	(37,566)
Administrative expenses		(30,787)	(45,622)
Other expenses		—	(156)
Fair value losses on investment properties, net	2	(2,340)	(140,790)
Impairment of goodwill	2	—	(22,056)
Impairment of intangible assets	2	(225,000)	(315,184)
Gain on disposal of subsidiaries	7	52,612	—
Share of profits/(losses) of joint ventures		8,955	(5,631)
Finance costs	5	(68,275)	(130,862)
LOSS BEFORE TAX		(243,448)	(670,551)
Income tax credit	6	54,737	78,780
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	4	(188,711)	(591,771)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		—	6,806
LOSS FOR THE YEAR		(188,711)	(584,965)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2020*

	Year ended 31.12.2020	Year ended 31.12.2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Group		
– from continuing operations	(85,562)	(447,284)
– from discontinued operations	–	6,524
	<u> </u>	<u> </u>
Loss for the year attributable to owners of the Group	<u>(85,562)</u>	<u>(440,760)</u>
Loss for the year attributable to non-controlling interests		
– from continuing operations	(103,149)	(144,487)
– from discontinued operations	–	282
	<u> </u>	<u> </u>
Loss for the year attributable to non-controlling interests	<u>(103,149)</u>	<u>(144,205)</u>
LOSS PER SHARE	8	
From continuing and discontinued operations		
Basic and diluted	<u>(HK1.44 cents)</u>	<u>(HK7.42 cents)</u>
From continuing operations		
Basic and diluted	<u>(HK1.44 cents)</u>	<u>(HK7.53 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2020*

	2020	2019
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	(188,711)	(584,965)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on investment in equity instrument at fair value through other comprehensive income	–	(16,622)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	7,777	(10,027)
Share of joint ventures' exchanges differences on translation of foreign operations	4,587	–
Reclassification adjustments for foreign operations disposed of during the year	<u>(46,276)</u>	<u>2,603</u>
Other comprehensive expense for the year, net	<u>(33,912)</u>	<u>(24,046)</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	<u>(222,623)</u>	<u>(609,011)</u>
Total comprehensive expenses attributable to:		
Owners of the Company	(120,104)	(464,530)
Non-controlling interests	<u>(102,519)</u>	<u>(144,481)</u>
	<u>(222,623)</u>	<u>(609,011)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		557	2,995
Right-of-use assets		920	2,448
Investment properties		–	19,712
Intangible assets		–	225,000
Investment in a joint venture		73,160	59,618
Prepayments and deposits		333	229
Finance lease receivables	11	<u>26,999</u>	<u>49,253</u>
		<u>101,969</u>	<u>359,255</u>
CURRENT ASSETS			
Contract costs		315,446	285,352
Trade receivables	10	19,629	21,245
Prepayments, deposits and other receivables		10,058	17,376
Finance lease receivables	11	26,223	90,674
Promissory note receivable		62,300	62,300
Amounts due from joint ventures		128,692	128,394
Bank balances and cash		<u>39,665</u>	<u>33,051</u>
		602,013	638,392
Assets classified as disposal group held for sale		<u>–</u>	<u>1,528,468</u>
		<u>602,013</u>	<u>2,166,860</u>
CURRENT LIABILITIES			
Trade payables	12	7,874	8,550
Other payables and accruals		167,724	127,487
Lease liabilities		886	1,492
Interest-bearing bank and other borrowings		213,283	202,634
Loans from related companies		810,714	206,979
Loans from joint ventures		15,698	13,343
Loans from non-controlling shareholders		32,343	32,189
Tax payable		<u>4,106</u>	<u>2,454</u>
		1,252,628	595,128
Liabilities classified as disposal group held for sale		<u>–</u>	<u>1,208,635</u>
		<u>1,252,628</u>	<u>1,803,763</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(650,615)</u>	<u>363,097</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(548,646)</u>	<u>722,352</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	76	904
Interest-bearing bank and other borrowings	20,190	195,861
Loans from related companies	–	815,626
Deferred tax liabilities	232	56,482
	<u>20,498</u>	<u>1,068,873</u>
NET LIABILITIES	<u>(569,144)</u>	<u>(346,521)</u>
CAPITAL AND RESERVES		
Share capital	2,234,815	2,234,815
Other reserves	(2,736,798)	(2,616,694)
Equity attributable to owners of the Company	(501,983)	(381,879)
Non-controlling interests	(67,161)	35,358
	<u>(569,144)</u>	<u>(346,521)</u>

NOTES:

1.1 SIGNIFICANT ACCOUNTING POLICIES

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

1.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. 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 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 application of these new HKFRSs will not have material impact on the financial statements of the Group.

2. SEGMENT INFORMATION

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

- (a) Management and operation of light-emitting diode (“**LED**”) energy management contracts (“**EMC**”);
- (b) Provision of finance lease and loan services and property investment; and
- (c) Provision of land development services and sale of construction materials.

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

There is asymmetrical allocation to operating segments because the Group allocated amounts due from joint ventures to segment assets of operating segment of management and operation of LED EMC without allocating the related impairment losses to segment results.

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 the People’s Republic of China (the “**PRC**”), no further geographical information is provided.

The following table presents revenue and profit/(loss) for the Group's primary segment for the year ended 31 December 2020 and 2019.

Year ended 31 December 2020

	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>
Continuing operations				
Segment revenue:				
Leases	–	5,903	–	5,903
Segment results	12,918	28,436	(241,463)	(200,109)
<i>Reconciliation:</i>				
Finance costs – unallocated				(41,733)
Unallocated other gain				7,182
Corporate and other unallocated expenses				(8,788)
Loss before tax from continuing operations				(243,448)
Income tax credit				54,737
Loss for the year from continuing operations				<u>(188,711)</u>
Other segment information:				
Interest income	–	771	1	772
Depreciation	–	(72)	(145)	(217)
Depreciation – unallocated				(1,554)
Share of profits of joint ventures	8,955	–	–	8,955
Loss on disposal of property, plant and equipment	–	(195)	–	(195)
Reversal of ECLs on financial assets	4,000	3,000	–	7,000
Gain on disposal of subsidiaries	–	53,764	–	53,764
Loss on disposal of subsidiaries – unallocated				(1,152)
Impairment of intangible assets	–	–	(225,000)	(225,000)
Finance costs	–	(16,238)	(10,304)	(26,542)
Fair value losses on investment properties, net	–	(2,340)	–	(2,340)
Capital expenditure*	–	(356)	–	(356)

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

Year ended 31 December 2019

	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>
Continuing operations				
Segment revenue:				
Leases	–	15,546	–	15,546
Segment results	(5,641)	(245,208)	(364,517)	(615,366)
<i>Reconciliation:</i>				
Finance costs – unallocated				(43,448)
Unallocated other gain				3,195
Corporate and other unallocated expenses				(14,932)
Loss before tax from continuing operations				(670,551)
Income tax credit				78,780
Loss for the year from continuing operations				<u>(591,771)</u>
Other segment information:				
Interest income	–	107	1,914	2,021
Depreciation and amortisation	–	(20)	(233)	(253)
Depreciation and amortisation – unallocated				(3,913)
Gain on disposal of other asset – unallocated				3,195
Share of losses of joint ventures	(5,631)	–	–	(5,631)
Impairment of goodwill	–	(22,056)	–	(22,056)
ECLs on financial assets	(4,000)	(3,057)	(30,509)	(37,566)
Impairment of intangible assets	–	–	(315,184)	(315,184)
Finance costs	–	(73,789)	(13,625)	(87,414)
Fair value losses on investment properties, net	–	(140,790)	–	(140,790)
Capital expenditure*	–	(627)	–	(627)

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

3. OTHER INCOME, GAINS AND LOSSES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Other income		
Interest income	772	107
Promissory note interest income	1,914	1,914
Gross rental income	–	1,217
	<hr/>	<hr/>
Sub-total	2,686	3,238
	<hr/>	<hr/>
Other gains and losses, net		
Exchange (losses)/gain, net	(10,809)	5,263
Gain on disposal of other asset	–	3,195
Loss on disposal of property, plant and equipment	(195)	–
Waiver of other payables upon deregistration of a subsidiary	15,677	–
Others	1,125	74
	<hr/>	<hr/>
Sub-total	5,798	8,532
	<hr/>	<hr/>
Total	8,484	11,770
	<hr/> <hr/>	<hr/> <hr/>

4. LOSS FOR THE YEAR

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	1,100	1,100
Depreciation on property, plant and equipment	280	425
Depreciation of right-of-use assets	1,491	3,741
(Reversal of ECLs)/ECLs on financial assets	(7,000)	37,566
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	7,759	10,002
Retirement scheme contributions	272	114
	<hr/>	<hr/>
	8,031	10,116
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Interests on bank and other borrowings	29,867	93,199
Interests on loans from related companies	38,339	31,808
Interests on loans from non-controlling shareholders	–	5,646
Interests on lease liabilities	69	209
	<u>68,275</u>	<u>130,862</u>

6. INCOME TAX CREDIT

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
PRC Enterprise Income Tax (“EIT”):		
– Current tax	1,529	16
– Over-provision in prior years	(16)	–
Deferred tax credit	<u>(56,250)</u>	<u>(78,796)</u>
	<u>(54,737)</u>	<u>(78,780)</u>

7. GAIN ON DISPOSAL OF SUBSIDIARIES

- a) 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 Enterprise Co., Ltd.* (上海商聚實業有限公司) and its subsidiaries (collectively referred to as “**Shanghai Shangju**”). The disposal has been completed on 30 March 2020. The net assets at the date of disposal were as follows:

	Total <i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	1,629
Investment properties	1,480,823
Prepayments, deposits and other receivables	1,098
Bank balances and cash	298
Other payables and accruals	(31,435)
Bank and other borrowings	(1,094,197)
	<u>358,216</u>
Gain on disposal of subsidiaries:	
Consideration received	367,897
Net assets disposed of	(358,216)
Direct costs to the disposal	(2,193)
Release of exchange fluctuation reserve	46,276
	<u>53,764</u>
Satisfied by:	
Cash	<u><u>367,897</u></u>

An analysis of the cash flows in respect of the disposal of Shanghai Shangju is as follows:

	<i>HK\$'000</i>
Cash consideration	367,897
Bank balances and cash disposed of	(298)
	<u>367,599</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>367,599</u></u>

* *English translation for reference only.*

- (b) On 24 April 2020, the Group has 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 Limited (“**Wai Cheong**”) at a consideration of HK\$1,360,000. The disposal has been completed on 22 May 2020. The net assets at the date of disposal were as follows:

	Total <i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	2,243
Prepayments, deposits and other receivables	148
Other payables and accruals	(45)
	<u>2,346</u>
Loss on disposal of subsidiaries:	
Consideration received	1,360
Net assets disposed of	(2,346)
Direct costs to the disposal	(166)
	<u>(1,152)</u>
Satisfied by:	
Cash	<u><u>1,360</u></u>

An analysis of the cash flows in respect of the disposal of Wai Cheong is as follows:

	<i>HK\$'000</i>
Cash consideration	1,360
Bank balances and cash disposed of	—
	<u>1,360</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>1,360</u></u>

8. LOSS PER SHARE

For continuing operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$85,562,000 (2019: HK\$447,284,000), and the weighted average number of ordinary shares of 5,943,745,741 (2019: 5,943,745,741) in issue during the year.

From discontinued operations

The basic and diluted earnings per share from the discontinued operations are HKNil cents (2019: HK0.11 cents). The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company of HK\$Nil (2019: HK\$6,524,000), and the weighted average number of ordinary shares of 5,943,745,741 (2019: 5,943,745,741) in issue during the year.

From continuing and discontinued operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$85,562,000 (2019: HK\$440,760,000), and the weighted average number of ordinary shares of 5,943,745,741 (2019: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution for continuing operations, from discontinued operations and from continuing and discontinued operations respectively as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

The directors do not recommend the payment of dividend to shareholders for the year ended 31 December 2020 (2019: Nil).

10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables – contracts with customers	56,759	56,134
Less: Allowance for expected credit losses	<u>(37,130)</u>	<u>(34,889)</u>
	<u>19,629</u>	<u>21,245</u>

The trade receivables are related to the provision of land development services and sales of construction materials. 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 and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Over 1 year	<u>56,759</u>	<u>56,134</u>

11. 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 five years.

For the year ended 31 December 2020, the finance lease receivables decreased due to repayments of finance lease receivables.

	Minimum lease payments		Present value of minimum lease payments	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance lease receivables comprise:				
Within one year	30,279	100,716	26,223	93,674
In the second year	25,042	27,726	22,804	25,791
In the third year	2,774	22,804	2,078	21,544
In the fourth year	2,580	2,541	2,117	1,918
	<u>60,675</u>	<u>153,787</u>	<u>53,222</u>	<u>142,927</u>
Less: unearned finance income	<u>(7,453)</u>	<u>(10,860)</u>		
Present value of minimum lease payments	<u>53,222</u>	<u>142,927</u>		
Less: impairment loss	<u>–</u>	<u>(3,000)</u>		
	<u>53,222</u>	<u>139,927</u>		
Analysed for reporting purposes as:				
Current assets	26,223	90,674		
Non-current assets	26,999	49,253		
	<u>53,222</u>	<u>139,927</u>		

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

As at 31 December 2020, the Group's finance lease receivables with an aggregate carrying amount of HK\$53,222,000 (2019: HK\$139,927,000) were pledged as security for the Group's certain bank loans.

12. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Over 120 days	<u>7,874</u>	<u>8,550</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the Year, the principal business activities of the Group comprise provision of finance lease and loan services and property investment; provision of the PPP Class 1 land development services; and management and operation of LED EMC through its investment in a joint venture in the PRC.

During the Year, the consolidated revenue of the Group amounted to approximately HK\$5.9 million (2019: consolidated revenue from continuing and discontinued operations of approximately HK\$62.4 million), representing a decrease of approximately 90.5% as compared with last year, which mainly attributed to the cessation of the Group's gas business following the disposal of the remaining subsidiaries in gas business in the second half of last year.

The net loss of the Group was approximately HK\$188.7 million during the Year, representing a decrease of approximately HK\$396.3 million as compared with the net loss of approximately HK\$585.0 million last year. The decrease in net loss was mainly attributable to (i) decrease in impairment of intangible assets by approximately HK\$90.2 million; (ii) decrease in fair value losses on investment properties by approximately HK\$138.5 million; (iii) decrease in finance costs by approximately HK\$64.7 million; and (iv) increase in gain on disposal of subsidiaries by approximately HK\$52.4 million during the Year.

Operational Review

(1) Gas Business

During the Year, the Group did not record any revenue from the gas business (2019: approximately HK\$46.9 million), since the Group had completed the withdrawal from all gas businesses in last year.

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

During the Year, the Group has supported the development of finance lease business. However, due to resurgence of COVID-19 in the PRC, a few discussion of new projects, which were in advanced form are yet to be finalised and enter into final contracts. The total turnover recorded for the Year decreased to approximately HK\$5.9 million (2019: approximately HK\$15.5 million), representing a decrease of approximately 61.9%.

During the Year, 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 entire equity interest in Shanghai Shangju, which holding 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. The disposal of Shanghai Shangju recorded a gain of approximately HK\$53.8 million and the Group can avoid the significant long-term

* *English translation for reference only.*

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

During the Year, the loss of this segment decreased to approximately HK\$241.5 million (2019: approximately HK\$364.5 million), mainly due to decrease in impairment provided for intangible assets during the Year.

Business Outlook

Affected by various unfavorable factors such as the COVID-19 outbreak, industries around the world have suffered from hidden worries, weakened economic activities, and intensified business competition pressure. It is challenging to invest in new markets. Looking forward, in the course of its business development, the Group will adopt a prudent and proactive development policy to continue to develop the existing businesses of the Company under the premise of controlling the business risks, and continue to look for new commercial investment opportunities to expand valuable businesses.

In recent years, the Group has managed to optimize asset allocation and reduce investment losses through the sale of gas businesses with unsatisfactory development prospects and properties that continue to record losses. Looking forward, the Group will continue to optimize its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the pandemic, the Group will support the development of the finance lease business of its subsidiary Guangdong Zi Yu Tai Finance Leasing Company Limited* (廣東資雨泰融資租賃有限公司) to provide finance lease services for related equipment to Chinese public hospitals, high-quality listed companies and private enterprises with good growth. On the premise of controlling the risks, the Group will focus on sunrise industries and continuously expand the finance lease market.

Regarding PPP Class 1 land development business, the development of the Project involves a total of 3,990 mu of land available to be developed for commercial and residential uses. Due to changes in relevant domestic laws and regulations and changes in the government's attitude towards the Project, the development of the Project is suspended. The Group filed a lawsuit with the Intermediate People's Court of Putian Municipality* (莆田市中级人民法院) (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 made by the Group. As a result, the land development of the Project will continue to be suspended. The Group filed an appeal to

* *English translation for reference only.*

the High People's Court of Fujian Province* (福建省高級人民法院) in June 2020 to protect its interests, the Group will still try its best to restart the Project as soon as practicable.

Financial Resources

As at 31 December 2020, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,268.8 million (2019: approximately HK\$2,813.7 million). Cash and bank balances amounted to approximately HK\$39.7 million (2019: approximately HK\$33.1 million). Net debt amounted to approximately HK\$1,229.1 million (2019: approximately HK\$2,780.6 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\$727.1 million (2019: approximately HK\$2,398.8 million), was 169.0% (2019: 115.9%).

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 (2019: Nil).

Staff Benefits

As at 31 December 2020, the Group had a total of 29 employees (2019: 41). The staff costs for the Year amounted to approximately HK\$8.0 million (2019: approximately HK\$15.4 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change 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 2020, the Group had pledged certain finance lease receivables for bank borrowings granted.

* *English translation for reference only.*

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES 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 100% equity interest in 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 above, 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

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

References are made to the announcements of the Company dated 3 November 2016, 17 November 2016 and 31 December 2018 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. On 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 10 December 2020, the Company repaid HK\$35,433,000 to the remaining noteholders. The Company is currently in the course of negotiating with the remaining four noteholders on the repayment schedule of the outstanding principal amount of the Convertible Notes and accrued interest. Please refer to the Company's announcements dated 27 March 2020 and 21 April 2020 for details.

CORPORATE GOVERNANCE PRACTICES

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

* *English translation for reference only.*

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules during the Year, save and except as disclosed hereunder:

- (i) code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to the resignation of Mr. Wu Xiaodong with effect from 18 September 2020, he was an executive Director, the chief executive officer and the chairman of the Board. Mr. Chan Hon Wai has been appointed as an executive Director, the chief executive officer and the chairman of the Board with effect from 18 September 2020. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group’s business.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

SCOPE OF WORK OF 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 ended 31 December 2020 as set out in the preliminary 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 ended 31 December 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the years ended 31 December 2020 and 2019 included in this preliminary results announcement for the Year do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance 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 and will deliver the financial statements for the Year in due course. The Company’s auditors, Deloitte Touche Tohmatsu has reported on the financial statements of the Group for the year ended 31 December 2019 and ZHONGHUI ANDA CPA Limited has reported on the financial statements of the Group for the Year.

For the Year, the auditor’s report was qualified and contained a statement under section 407(3) of the Hong Kong Companies Ordinance and with a material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its reports, but did not contain a statement under sections 406(2) or 407(2) of the Hong Kong Companies Ordinance. For the year ended 31 December 2019, the auditor’s report was unqualified with a material uncertainty related to going concern and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance. For details, please refer to sub-section under “EXTRACT OF INDEPENDENT AUDITOR’S REPORT”.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, an extract of which is as follows:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. Intangible assets and related deferred tax liabilities

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the intangible assets on the consolidated statement of financial position as at 31 December 2020 and 2019 of approximately HK\$Nil and HK\$225,000,000, respectively, and to the related impairment of intangible assets on the consolidated statement profit or loss of approximately HK\$225,000,000 and HK\$315,184,000 respectively for the years ended 31 December 2020 and 2019.

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 2020 and 2019 of approximately HK\$Nil and HK\$56,250,000, respectively and to the deferred tax credit on the consolidated statement profit or loss of approximately HK\$56,250,000 and HK\$78,796,000 respectively for the years ended 31 December 2020 and 2019.

2. Contract costs

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the contract cost on the consolidated statement of financial position as at 31 December 2020 and 2019 of approximately HK\$315,446,000 and HK\$282,352,000 respectively. There are no other satisfactory audit procedures that we could adopt to determine the recoverability of the contract cost.

3. Promissory note receivable

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of promissory note receivable of approximately HK\$62,300,000 and HK\$62,300,000 and related interest receivables of approximately HK\$6,784,000 and HK\$4,870,000 as at 31 December 2020 and 2019 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether the expected credit losses on promissory note receivable of approximately HK\$Nil and HK\$26,700,000 for the years ended 31 December 2020 and 2019, respectively are properly recognised.

4. Trade receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of trade receivable of approximately HK\$19,629,000 and HK\$21,245,000 respectively as at 31 December 2020 and 2019. There are no other satisfactory audit procedures that we could adopt to determine whether the expected credit losses on trade receivable of approximately HK\$Nil and HK\$3,809,000 for the years ended 31 December 2020 and 2019, respectively are properly recognised.

Any adjustments to the figures as described from points 1 to 4 above might have a consequential effect on the Group's financial performance and cash flows for each of the two years ended 31 December 2020 and 2019, and on the Group's financial position as at 31 December 2020 and 2019 and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK\$188.7 million for the year ended 31 December 2020 and, as at 31 December 2020, the Group had net liabilities of approximately HK\$569.1 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REVIEW BY AUDIT COMMITTEE

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

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

By Order of the Board
AVIC Joy Holdings (HK) Limited
CHAN Hon Wai

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 30 March 2021

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

Executive Directors

*Mr. Chan Hon Wai (Chairman and Chief Executive Officer), Mr. Chang Chien,
Mr. Lam Toi Man and Mr. Tse Tin*

Independent Non-Executive Directors

Mr. To Chun Kei, Mr. Liu Jingwei and Mr. Zheng Yanqing