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## **AVIC Joy Holdings (HK) Limited**

**幸福控股(香港)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 260)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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 2023 (the “**Period**”) together with the comparative figures for 2022 as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2023*

		<b>For the six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	2	<b>2,265</b>	1,708
Other income, gains and losses	3	<b>1,093</b>	2,697
Administrative expenses		<b>(7,270)</b>	(9,851)
Finance costs	4	<b>(19,419)</b>	(21,955)
Share of profits of joint ventures		<b>–</b>	8,114
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(23,331)</b>	(19,287)
Income tax expense	5	<b>–</b>	(9)
		<hr/>	<hr/>
<b>Loss for the period</b>	6	<b>(23,331)</b>	(19,296)
		<hr/> <hr/>	<hr/> <hr/>

		<b>For the six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Attributable to:			
Owners of the Company		<b>(23,697)</b>	(17,251)
Non-controlling interests		<b>366</b>	(2,045)
		<u><b>(23,331)</b></u>	<u>(19,296)</u>
LOSS PER SHARE	7		
Basic and diluted		<u><b>(HK0.40 cents)</b></u>	<u>(HK0.29 cents)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<u>(23,331)</u>	<u>(19,296)</u>
<b>Other comprehensive expenses:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(4,924)	(5,706)
Share of joint ventures' exchange differences on translation of foreign operations	<u>(4,300)</u>	<u>(4,243)</u>
Other comprehensive expenses for the period	<u>(9,224)</u>	<u>(9,949)</u>
<b>Total comprehensive expenses for the period</b>	<u><b>(32,555)</b></u>	<u><b>(29,245)</b></u>
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(33,831)	(28,048)
Non-controlling interests	<u>1,276</u>	<u>(1,197)</u>
	<u><b>(32,555)</b></u>	<u><b>(29,245)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	224	267
Right-of-use assets	9	2,322	3,149
Investments in joint ventures		90,418	94,718
Prepayments and deposits		124	137
Finance lease receivables	11	9,005	10,456
		<b>102,093</b>	108,727
<b>CURRENT ASSETS</b>			
Contract costs	12	285,301	298,534
Trade receivables	10	17,754	18,577
Prepayments, deposits and other receivables		10,817	11,372
Finance lease receivables	11	8,485	7,186
Promissory note receivables		62,300	62,300
Amounts due from joint ventures		106,559	108,800
Bank balances and cash		21,300	27,652
		<b>512,516</b>	534,421
<b>CURRENT LIABILITIES</b>			
Trade payables	13	7,122	7,452
Other payables and accruals		275,935	261,585
Lease liabilities		1,592	1,575
Bank and other borrowings		172,718	179,567
Loans from related companies		816,009	817,679
Loans from joint ventures		13,963	14,611
Loans from non-controlling shareholders		32,343	32,343
Tax payable		2,436	2,458
		<b>1,322,118</b>	1,317,270
<b>NET CURRENT LIABILITIES</b>		<b>(809,602)</b>	(782,849)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(707,509)</b>	(674,122)

	<b>30 June 2023</b>	31 December 2022
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>924</b>	1,756
Deferred tax liabilities	<b>232</b>	232
	<u><b>1,156</b></u>	<u>1,988</u>
<b>NET LIABILITIES</b>	<u><b>(708,665)</b></u>	<u>(676,110)</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>2,234,815</b>	2,234,815
Other reserves	<b>(2,866,116)</b>	(2,832,285)
	<u><b>(631,301)</b></u>	<u>(597,470)</u>
Equity attributable to owners of the Company	<b>(77,364)</b>	(78,640)
Non-controlling interests	<b>(77,364)</b>	(78,640)
	<u><b>(708,665)</b></u>	<u>(676,110)</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 1.1 CORPORATE INFORMATION

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

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

## 1.2 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 2022 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 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements. The auditor’s report was disclaimed and contained a statement under section 407(2) and 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) of the Hong Kong Companies Ordinance.

In preparing the condensed 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\$23.3 million for the period ended 30 June 2023 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$708.7 million as at 30 June 2023. The Group’s total borrowings (comprising bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,035.0 million, which are due for repayment in the next twelve months from the date of approval of these condensed 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, undertakes that, in order to encourage the Group to put its capital into good use and support business development of the Group, the substantial shareholder will provide funding support via, including but not limited to, guarantee or loan financing, within one year from the date of the letter.
- (ii) According to the letter from the substantial shareholder to the Board of the Company dated 20 May 2024, in order to provide continuous financial support to the Company, the substantial shareholder will not demand repayment of the loans from related companies nor any interest to be incurred during the period from 1 January 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 condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

### **1.3 PRINCIPAL ACCOUNTING POLICIES**

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

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

#### **Application of new and revised HKFRSs**

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 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 condensed consolidated financial statements and amounts reported for the current period and prior years.

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

## 2. OPERATING SEGMENT INFORMATION

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

- (a) Management and operation of LED EMC;
- (b) Provision of finance lease and loan services and property investment;
- (c) Provision of land development services and sale of construction materials; and
- (d) Trading of gas and petroleum products.

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

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

The following table presents revenue and loss for the Group's primary segment for the six months ended 30 June 2023 and 2022.

	Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Trading of gas and petroleum products		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue:</b>										
Leases	-	-	2,265	1,708	-	-	-	-	2,265	1,708
<b>Segment results</b>	(789)	8,093	(461)	126	917	(3,859)	(2)	-	(335)	4,360
<i>Reconciliation:</i>										
Finance costs										
- unallocated									(19,360)	(19,233)
Unallocated other (loss)/gain									(3)	51
Corporate and other unallocated expenses									(3,633)	(4,465)
Loss before tax									(23,331)	(19,287)
Income tax expense									-	(9)
Loss for the period									(23,331)	(19,296)

### 3. 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Interest income	86	70
Promissory note interest income	949	949
	<u>1,035</u>	<u>1,019</u>
<b>Other gains and losses, net</b>		
Exchange losses, net	(2)	(4)
Loss on disposal of property, plant and equipment	–	(3)
Government grants	–	45
Value-added tax refunds	53	1,526
Others	7	114
	<u>58</u>	<u>1,678</u>
	<u><b>1,093</b></u>	<u><b>2,697</b></u>

### 4. FINANCE COSTS

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	646	3,306
Interest on loans from related companies	18,647	18,487
Interest on lease liabilities	126	162
	<u>19,419</u>	<u>21,955</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 during the Period (2022: 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
PRC Enterprise Income Tax – Current Tax	–	9

## 6. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Auditor's remuneration	725	575
Depreciation on items of property, plant and equipment	32	62
Depreciation on right-of-use assets	784	765
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	2,393	4,083
Pension scheme contributions	108	211
	<u>2,501</u>	<u>4,294</u>

## 7. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of approximately HK\$23,697,000 (2022: approximately HK\$17,251,000), and the weighted average number of ordinary shares of 5,943,745,741 (2022: 5,943,745,741) in issue during the Period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2023 and for the six months ended 30 June 2022 as there are no dilutive potential ordinary shares.

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the Period (2022: Nil). The directors of the Company do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2023.

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

During the Period, no addition in the property, plant and equipment is recorded (2022: Nil). Items of equipment with a net book value of HK\$Nil were disposed of during the Period (2022: approximately HK\$30,000), resulting in a loss on disposal of HK\$Nil (2022: approximately HK\$3,000).

During the Period, the Group did not enter into any lease agreements for use of office premises and staff quarters, and therefore recognised the additions to right-of-use assets of HK\$Nil (2022: approximately HK\$4,789,000).

## 10. TRADE RECEIVABLES

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade receivables	51,335	53,715
Less: Allowance for expected credit losses	<u>(33,581)</u>	<u>(35,138)</u>
	<b><u>17,754</u></b>	<b><u>18,577</u></b>

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

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

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

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

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Over 1 year	<b><u>51,335</u></b>	<b><u>53,715</u></b>

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$17,754,000 (31 December 2022: approximately HK\$18,577,000) which are past due. All of the past due balances has been past due 90 days or more and is not considered as in default as the management considered the past due balances can be repaid based on repayment history.

## 11. FINANCE LEASE RECEIVABLES

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

The majority of lease contracts are with guaranteed residual values. As at 30 June 2023 and 31 December 2022, unguaranteed residual values of assets leased under finance leases are immaterial.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Finance lease receivables comprise:				
Within one year	9,972	8,539	8,485	7,186
In the second year	8,542	8,356	7,721	7,443
In the third year	1,518	3,112	1,284	3,013
	<u>20,032</u>	<u>20,007</u>	<u>17,490</u>	<u>17,642</u>
Less: unearned finance income	<u>(2,542)</u>	<u>(2,365)</u>		
Present value of minimum lease payments	<u>17,490</u>	<u>17,642</u>		
Analysed for reporting purposes as:				
Current assets	8,485	7,186		
Non-current assets	9,005	10,456		
	<u>17,490</u>	<u>17,642</u>		

Effective interest rates of the above finance leases range from 7.3% to 9% (31 December 2022: 7.3% to 9%) per annum.

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

## 12. CONTRACT COSTS

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Pre-contract/setup costs to fulfil contracts in relation to land development services incurred to date	<b><u>285,301</u></b>	<b><u>298,534</u></b>

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

## 13. 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:

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Over 1 year	<b><u>7,122</u></b>	<b><u>7,452</u></b>

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**”); and (iv) gas and petroleum products business (the “**Gas and Petroleum Products Business**”).

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. Our Group was not an exception to the general situation of the China and Hong Kong economies. The Group was further 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 bring the Company and the Group back to the normal track of recovery and prosperity.

## **OPERATIONAL REVIEW**

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

During the Period, the revenue recorded from finance lease business increased to approximately HK\$2.3 million (2022: approximately HK\$1.7 million), representing an increase of approximately 35.3%.

### **(2) PPP Class 1 Land Development Business**

During the Period, no revenue was recorded in the Group's business in the Project at Fuqing City, Fujian Province (2022: Nil).

During the Period, the profit of this segment increased to approximately HK\$917,000 (2022: loss of approximately HK\$3,859,000), mainly due to decrease in interest on bank loans.

### **(3) LED EMC Business**

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

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

### **(4) Gas and Petroleum Products Business**

During the Period, no revenue was recorded in the Group's business (2022: Nil), which is mainly due to the decrease in Gas and Petroleum Products Business.

## **FINANCIAL REVIEW**

During the Period, the revenue of the Group amounted to approximately HK\$2,265,000 (2022: approximately HK\$1,708,000), representing an increase of approximately 32.6% as compared with the corresponding period of the previous year, which mainly attributed to increase in the number of ongoing projects of finance lease business.

The net loss of the Group was approximately HK\$23,331,000 during the Period as compared with the net loss of approximately HK\$19,296,000 in the corresponding period of the previous year. The increase in net loss was mainly attributable to the net effect of (i) decrease in share of profits of joint ventures by approximately HK\$8.1 million; and (ii) decrease in finance costs of approximately HK\$2.5 million upon repayment of certain bank loans during 2022.

## **Financial Resources**

As at 30 June 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\$1,320.6 million (31 December 2022: approximately HK\$1,316.6 million). Cash and bank balances amounted to approximately HK\$21.3 million (31 December 2022: approximately HK\$27.7 million). Net debt amounted to approximately HK\$1,299.5 million (31 December 2022: approximately HK\$1,288.1 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK\$668.0 million (31 December 2022: approximately HK\$691.4 million), was 194.5% (31 December 2022: 186.4%).

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the Period (2022: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had a total of 23 employees (2022: 25). The staff costs for the Period amounted to approximately HK\$2.0 million (2022: approximately HK\$3.8 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 on staff remuneration policies during the Period.

## **HUMAN RESOURCES**

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

## **PLEDGE OF ASSETS**

As at 30 June 2023, no assets of the Group were pledged as security for bank and other borrowings granted.

## **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 dedicates to develop sustainable current business, in order to enhance its financial performance and create value for the shareholders of the Company.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no events to cause material impact in the Group after 30 June 2023 and up to the date of this announcement.

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

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code and the Corporate Governance Report contained in Appendix C1 to the Listing Rules (the “**CG Code**”) throughout the six months ended 30 June 2023, except with the details disclosed below:

- (i) code provision C.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Mr. Chang Chien (“**Mr. Chang**”) was appointed as an executive Director with effect from 18 September 2020, he has been appointed as the chairman of the Board with effect from 4 February 2022. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

The post of chief executive officer of the Company has remained vacant since 30 January 2022. Mr. Chang, who acts as the chairman and an executive Director, is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Company understands the importance to comply with the code provision C.2.1 of the CG Code and will continue to consider the feasibility to nominate appropriate person for the role of chief executive officer; and

- (ii) code provision C.3.3 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the articles of association of the Company. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), legal and other regulatory requirements, if applicable.

#### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Following specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Period.

#### **REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENT**

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. To Chun Kei (the chairman of the Audit Committee), Mr. Lok Tze Bong and Mr. Cheung Ting Pong. They have reviewed the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters with the management of the Group. The Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 have been reviewed by the Audit Committee, which is of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

**PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”) AND THE COMPANY**

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

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

Hong Kong, 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*