



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)

2023

INTERIM REPORT



Contents

	PAGES
Corporate Information	2
Management Discussion and Analysis	3
Disclosure of Interests	6
Corporate Governance and Other Information	8
Condensed Consolidated Statement of Profit or Loss	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to Condensed Consolidated Financial Statements	17

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chang Chien (*Chairman of the Board*)
Mr. Lam Toi Man
Mr. Zhu Chengye

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. To Chun Kei (*Chairman*)
Mr. Lok Tze Bong
Mr. Cheung Ting Pong

REMUNERATION COMMITTEE

Mr. To Chun Kei (*Chairman*)
Mr. Chang Chien
Mr. Lok Tze Bong

NOMINATION COMMITTEE

Mr. To Chun Kei (*Chairman*)
Mr. Lam Toi Man
Mr. Lok Tze Bong

COMPANY SECRETARY

Mr. Leung Siu Kuen (*appointed on 8 November 2023*)
Mr. Pang Kai Cheong (*resigned on 8 November 2023*)

AUTHORIZED REPRESENTATIVES

Mr. Chang Chien
Mr. Leung Siu Kuen (*appointed on 8 November 2023*)
Mr. Pang Kai Cheong (*resigned on 8 November 2023*)

REGISTERED OFFICE

Unit 1905A, Level 19
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Center
16 Harcourt Road
Hong Kong

INDEPENDENT AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.avicjoyhk.com

STOCK CODE

260

Notes:

- (1) In the case of any inconsistency between the Chinese translation and the English text of this interim report, the English text shall prevail.
- (2) “*” means English translation for reference only in this interim report.

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; and (iv) the announcements of the Company dated 28 February 2023, 25 May 2023, 24 August 2023, 27 November 2023, 28 February 2024 and 28 May 2024 (the “**Quarterly Update Announcements**”) in relation to the quarterly update on suspension of trading (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

OUTLOOK

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.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, none of the Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) which were required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the following persons (not being a Director or chief executive of the Company) had or is deemed to have an interest and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	Long/ short position	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued shares ^(b)
Sincere View International Limited (“Sincere View”)	(a)	Long	Beneficial owner	1,596,428,891	26.86%
Hon Kwok Lung (“Mr. Hon”)	(a)	Long	Interest of controlled corporation	1,596,428,891	26.86%
Lam Suk Ying (“Ms. Lam”)	(a)	Long	Interest of spouse	1,596,428,891	26.86%

Notes:

(a) Mr. Hon holds 80% interests and his wife, Ms. Lam holds 20% interests in Sincere View, which is a substantial shareholder of the Company holding 1,596,428,891 shares of the Company. Mr. Hon and Ms. Lam are deemed to have an interest in the same parcel of 1,596,428,891 shares of the Company.

(b) The total number of issued shares of the Company as at 30 June 2023 was 5,943,745,741.

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have an interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 June 2015, the Company adopted a share option scheme (the “**Share Option Scheme**”), following the Company’s share option scheme having expired on 14 April 2015 (the “**Expired Share Option Scheme**”), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s business development and growth and to enable the Group to recruit high-calibre employees and attract or retain human resources valuable to the Group. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption.

As at 30 June 2023, there are no share options outstanding under the Share Option Scheme or the Expired Share Option Scheme.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme or the Expired Share Option Scheme during the Period.

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Period or at the end of the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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") has been appointed as an executive Director with effect from 18 September 2020, he has been appointed as the chairman of the Board with effect from 4 February 2022. 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

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENT

As at the date of this interim report, 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.

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.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2023.

PUBLICATIONS OF INTERIM REPORT

This 2023 interim report is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.avicjoyhk.com.

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

Hong Kong, 28 May 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	2,265	1,708
Other income, gains and losses	5	1,093	2,697
Administrative expenses		(7,270)	(9,851)
Finance costs	6	(19,419)	(21,955)
Share of profits of joint ventures		–	8,114
Loss before tax		(23,331)	(19,287)
Income tax expense	7	–	(9)
Loss for the period	8	(23,331)	(19,296)
Attributable to:			
Owners of the Company		(23,697)	(17,251)
Non-controlling interests		366	(2,045)
		(23,331)	(19,296)
LOSS PER SHARE	9		
Basic and diluted		(HK0.40 cents)	(HK0.29 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the period	(23,331)	(19,296)
Other comprehensive expenses:		
<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	(4,300)	(4,243)
Other comprehensive expenses for the period	(9,224)	(9,949)
Total comprehensive expenses for the period	(32,555)	(29,245)
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(33,831)	(28,048)
Non-controlling interests	1,276	(1,197)
	(32,555)	(29,245)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	224	267
Right-of-use assets	11	2,322	3,149
Investments in joint ventures		90,418	94,718
Prepayments and deposits		124	137
Finance lease receivables	14	9,005	10,456
		102,093	108,727
CURRENT ASSETS			
Contract costs	15	285,301	298,534
Trade receivables	13	17,754	18,577
Prepayments, deposits and other receivables		10,817	11,372
Finance lease receivables	14	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
		512,516	534,421
CURRENT LIABILITIES			
Trade payables	16	7,122	7,452
Other payables and accruals		275,935	261,585
Lease liabilities		1,592	1,575
Bank and other borrowings	17	172,718	179,567
Loans from related companies	17	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
		1,322,118	1,317,270
NET CURRENT LIABILITIES		(809,602)	(782,849)
TOTAL ASSETS LESS CURRENT LIABILITIES		(707,509)	(674,122)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		924	1,756
Deferred tax liabilities		232	232
		1,156	1,988
NET LIABILITIES			
		(708,665)	(676,110)
CAPITAL AND RESERVES			
Share capital	18	2,234,815	2,234,815
Other reserves		(2,866,116)	(2,832,285)
Equity attributable to owners of the Company		(631,301)	(597,470)
Non-controlling interests		(77,364)	(78,640)
		(708,665)	(676,110)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2022 (Audited)	2,234,815	(145,022)	58,086	823,357	(74,559)	(3,431,433)	(534,756)	(76,591)	(611,347)	
Loss for the period (Unaudited)	-	-	-	-	-	(17,251)	(17,251)	(2,045)	(19,296)	
Other comprehensive income for the period (Unaudited):										
Exchange differences on translation of foreign operations (Unaudited)	-	-	-	-	(10,797)	-	(10,797)	848	(9,949)	
Total comprehensive expenses for the period (Unaudited)	-	-	-	-	(10,797)	(17,251)	(28,048)	(1,197)	(29,245)	
At 30 June 2022 (Unaudited)	2,234,815	(145,022)	58,086	823,357	(85,356)	(3,448,684)	(562,804)	(77,788)	(640,592)	

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2023 (Audited)	2,234,815	(145,022)	58,086	823,357	(93,685)	(3,475,021)	(597,470)	(78,640)	(676,110)	
Loss for the period (Unaudited)	-	-	-	-	-	(23,697)	(23,697)	366	(23,331)	
Other comprehensive (expenses)/ income for the period (Unaudited):										
Exchange differences on translation of foreign operations (Unaudited)	-	-	-	-	(10,134)	-	(10,134)	910	(9,224)	
Total comprehensive (expenses)/ income for the period (Unaudited)	-	-	-	-	(10,134)	(23,697)	(33,831)	1,276	(32,555)	
At 30 June 2023 (Unaudited)	2,234,815	(145,022)	58,086	823,357	(103,819)	(3,498,718)	(631,301)	(77,364)	(708,665)	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(23,331)	(19,287)
Adjustment for:		
Finance costs	19,419	21,955
Share of profits of joint ventures	–	(8,114)
Depreciation of property, plant and equipment and right-of-use assets	816	827
Others	(2,000)	(1,016)
Operating cash flows before movements in working capital	(5,096)	(5,635)
Decrease in prepayments, deposits and other receivables	2,215	1,340
Increase in finance lease receivables	(631)	(2,999)
(Increase)/decrease in amounts due from joint ventures	(1,407)	12,867
Others	(3,371)	3,356
Cash (used in)/generated from operations	(8,290)	8,929
Income tax paid	–	–
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	(8,290)	8,929
INVESTING ACTIVITIES		
Interest received	86	70
Proceeds from disposal of property, plant and equipment	–	27
NET CASH FLOWS FROM INVESTING ACTIVITIES	86	97

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
FINANCING ACTIVITIES		
Advances from related companies	3,733	17,451
Repayment of bank and other borrowings	–	(13,056)
Interest paid	(126)	(1,307)
Advances from joint ventures	–	9
Repayment of lease liabilities	(767)	(622)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	2,840	2,475
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,364)	11,501
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,652	28,845
Effect of foreign exchange rate changes	(988)	(1,191)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,300	39,155
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by:		
Bank balances and cash	21,300	39,155

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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; and 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.

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 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\$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 of the Company have performed an assessment of the Group’s future liquidity and cash flows, taking into account the following relevant matters:

- (i) A substantial shareholder of the Company, undertakes that, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. BASIS OF PREPARATION (continued)

The directors of the Company consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 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.

4. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. OPERATING SEGMENT INFORMATION (continued)

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 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue										
Leases	-	-	2,265	1,708	-	-	-	-	2,265	1,708
Segment results	(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)

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income		
Interest income	86	70
Promissory note interest income	949	949
	1,035	1,019
Other gains and losses, net		
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
	58	1,678
	1,093	2,697

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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
	19,419	21,955

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (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

8. 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
	2,501	4,294

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of approximately HK\$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.

10. 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.

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

During the Period, no addition in the property, plant and equipment is recorded (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).

12. INTANGIBLE ASSETS

As at 30 June 2023, the amount of intangible assets is Nil (31 December 2022: Nil) in respect of land development contracts in relation to the land development of Central New Coastal City* (中部濱海新城) (the “**Project Land**”) and construction work of Ronggang Avenue* (融港大道) (collectively referred to as the “**Project**”). AVIC International (Fujian) Industrial Co., Ltd.* (中航國際(福建)實業有限公司) (“**AVIC Fujian**”), a subsidiary of the Group, together with two parties formed a joint committee to manage the Project.

In February 2013, AVIC Fujian and Fuqing Municipal People’s Government* (福清市人民政府) (the “**Fuqing Government**”) entered into the Master Investment and Construction Co-operation Agreement (“**MICCA**”). Pursuant to the MICCA, the Fuqing Government is responsible for land planning, securing land, relocating residents and ensuring that all requisite legal and other necessary approvals. AVIC Fujian is primarily responsible for funding and managing (i) the development work associated with the Project Land to meet the land sale requirement; and (ii) the construction of Ronggang Avenue* (融港大道).

In November 2017, the Fuqing Government issued a notice to AVIC Fujian together with the two parties of the joint committee of the Project, pursuant to which, the Fuqing Government (i) terminated the MICCA, (ii) revoked the land development right in the Project Land, and (iii) allowed AVIC Fujian or the joint committee to proceed the negotiation with the Fuqing Government on the compensation due to the termination of the MICCA, on the grounds that the MICCA violates certain rules and regulations in the PRC, namely 《中華人民共和國招投標法》, 《中華人民共和國預算法》, 《國務院辦公廳關於規範國有土地使用權出讓收支管理的通知》, 《財政部、國土資源部、中國人民銀行〈關於印發國有土地使用權出讓收支管理辦法〉的通知》 and 《中華人民共和國擔保法》 and therefore, the Fuqing Government is unable to execute the MICCA. The Group took several measures including the continuous negotiation with the Fuqing Government and the filing of appeal in May 2018 to the Intermediate People’s Court of Putian Municipality* (莆田市中级人民法院) (the “**Putian Court**”), aiming to request the Fuqing Government to continue to execute the MICCA in accordance with the terms of the agreement.

* English translation for reference only.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. INTANGIBLE ASSETS (continued)

The Putian Court had processed the case but decision has not been reached as at 31 December 2019. The directors of the Company, having sought legal advice, considered that the Fuqing Government does not have sufficient legal grounds to terminate the MICCA and are in the opinion that the Group will succeed in the appeal. Taking into account of the possible outcome of the appeal, the estimated shorten period of the Project and the decrease in the expected profit margin in the Project, the Group recognised accumulated impairment loss of HK\$739,000,000 as at 31 December 2019.

On 10 June 2020, the Putian Court has issued a judgement to dismiss the petition by AVIC Fujian and ordered AVIC Fujian to bear specified amounts of litigation costs. In order to protect the interests of the Group and after having sought legal advice, the directors of the Company has decided to appeal and filed an appeal to the High People's Court of Fujian Province* (福建省高級人民法院) (the "**High People's Court**") on 24 June 2020 to request the High People's Court to set aside the judgment and rule the case to be returned to the Putian Court for re-trial. However, the ultimate outcome of the appeal cannot be assessed at this stage. Accordingly, additional impairment amounted to HK\$225,000,000 was provided for the year ended 31 December 2020. On 30 May 2022, the Group had received an Administrative Judgement from the High People's Court that the appeal filed by the Group to the High People's Court has been dismissed. As at 31 December 2022, full impairment on the intangible assets of the Project amounted to HK\$964,000,000 (31 December 2021: HK\$964,000,000) was recognised. The Group is still seeking legal advice in respect of the Administrative Judgement and appropriate actions will be taken if so advised.

13. TRADE RECEIVABLES

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

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.

* English translation for reference only.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. TRADE RECEIVABLES (continued)

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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Over 1 year	51,335	53,715

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.

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 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 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (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
	20,032	20,007	17,490	17,642
Less: unearned finance income	(2,542)	(2,365)		
Present value of minimum lease payments	17,490	17,642		
Analysed for reporting purposes as:				
Current assets	8,485	7,186		
Non-current assets	9,005	10,456		
	17,490	17,642		

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. FINANCE LEASE RECEIVABLES (continued)

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.

15. CONTRACT COSTS

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

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

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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Over 1 year	7,122	7,452

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

17. BANK AND OTHER BORROWINGS AND LOANS FROM RELATED COMPANIES

During the Period, the Group obtained advances from related companies amounting to approximately HK\$3,733,000 (2022: approximately HK\$17,451,000), of which HK\$Nil (2022: HK\$14,000,000 is repayable by 2022 and bears interest at 5% per annum) is repayable by 2023 and bears interest at 5% per annum, and HK\$3,100,000 (2022: HK\$2,500,000 is repayable in 2023 and bears interest at 5% per annum) is repayable in 2024 and bears interest at 5% per annum, while the remaining advances are non-interest bearing and no fixed repayment period. The Group also repaid bank and other borrowings amounting to HK\$Nil (2022: approximately HK\$13,056,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18. SHARE CAPITAL

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Issued and fully paid: 5,943,745,741 ordinary shares	2,234,815	2,234,815

A summary of the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	5,943,745,741	2,234,815

19. COMMITMENTS

As at 30 June 2023, the Group had no capital commitments.

20. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the Period:

		For the six months ended 30 June	
	Note	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses to related companies	(i)	18,647	18,487
Office rental and other related expenses to a related company		547	523
Interest income from joint ventures		–	203

Note:

- (i) The interest expenses paid to related companies were charged at interest rates ranging from 5% to 5.6175% (2022: 5% to 5.6175%) per annum.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

- (i) The related companies are either the Company's substantial shareholder or companies whose controlling shareholder is also controlling shareholder of the Company's substantial shareholder.

The loans from related companies, of which approximately HK\$657,347,000 is repayable in 2024 and bears interest at 5.6175% per annum, HK\$1,000,000 is repayable in 2024 and bears interest at 5% per annum, and HK\$13,800,000 is repayable in 2024 and bears interest at 5% per annum, while the remaining balances are non-interest bearing and no fixed repayment period.

According to the letter from Company's substantial shareholder to the Board of the Company dated 20 May 2024, in order to provide continuous financial support to the Company, Company's substantial shareholder will not demand repayment of the part of the aforesaid loans of principal amount of approximately HK\$799,411,000 (31 December 2022: approximately HK\$804,814,000) nor any interest to be incurred during the period from 1 January 2024 to 31 December 2025.

- (ii) The loans from non-controlling shareholders are unsecured, non-interest bearing and no fixed repayment period.

The carrying amounts of these balances approximate to their fair values.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short term employee benefits	526	458