



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)



2020
Interim Report

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2020 (the “**Period**”), the principal business activities of the Group comprise provision of finance lease and loan services and property investment; provision of the PPP Class 1 land development services; and management and operation of light-emitting diode (“**LED**”) energy management contracts (“**EMC**”) through its investment in a joint venture in the People’s Republic of China (the “**PRC**” or “**China**”).

During the Period, the revenue of the Group amounted to HK\$3,285,000 (2019: HK\$36,814,000), representing a decrease of 91.1% as compared with the corresponding period of the previous 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 the previous year.

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

The net loss of the Group was HK\$161,113,000 during the Period as compared with the net loss of HK\$73,263,000 in the corresponding period of the previous year. The increase in net loss was mainly attributable to an impairment loss of HK\$225,000,000 on the Group’s assets in relation to the PPP’s project while no such impairment loss was recorded in the corresponding period of the previous year.

OPERATIONAL REVIEW

(1) *Gas Business*

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(3) PPP Class 1 Land Development Business

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

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

BUSINESS OUTLOOK

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

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

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 (莆田市中級人民法院) (the "Putian Court") in May 2018, aiming to request Fuqing Municipal People's Government to continue to execute the land development contract in relation to the Project. The Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group. As a result, the land development of the Project will continue to be suspended. Although the Group filed an appeal to 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 uncertainty of the appeal will make it more difficult for the Project to be restarted for development. The Group will still try its best to restart the Project as soon as practicable.

* English translation for reference only.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES

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

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Director(s)**") of the Company does not recommend the payment of an interim dividend for the Period (2019: Nil).

MATERIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

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

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

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

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

EVENTS AFTER THE PERIOD

On 15 September 2020, AVIC International (HK) Group Limited ("**AVIC HK Group**"), AVIC Joy Air (HK) Group Limited ("**AVIC Joy Air**"), AVIC International Holding (HK) Limited ("**AVIC Int'l (HK)**"), Billirich Investment Limited ("**Billirich**") and AVIC Joy Air Holdings Limited (幸福航空控股有限公司) entered into a share purchase and loan transfer agreement with Sincere View International Limited (信景國際有限公司) in relation to, among other things, the transfers of the shares of the Company (the "**Change in Shareholdings**"). Following the completion of the Change in Shareholdings, each of Mr. WU Xiaodong, Mr. ZHANG Zhibiao, Ms. WANG Ying, Ms. MU Yan, Mr. JIANG Ping, Ms. WU Rui and Mr. GUO Wei resigned as a Director with effect from 18 September 2020, given that all the aforesaid ex-Directors were nominated by the aforesaid original shareholders of the Company. Mr. CHAN Hon Wei, Mr. CHANG Chien, Mr. LAM Toi Man, Mr. TSE Tin, Mr. TO Chun Kei, Mr. LIU Jingwei and Mr. ZHENG Yanqing have been appointed as Directors with effect from 18 September 2020. For details, please refer to the announcements of the Company dated 15 September 2020 and 18 September 2020.

* *English translation for reference only.*

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 32 employees (2019: 127). The staff costs for the Period amounted to HK\$4.0 million (2019: HK\$8.3 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change on staff remuneration policies during the Period.

HUMAN RESOURCES

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

PLEDGE OF ASSETS

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

CHANGES SINCE 31 DECEMBER 2019

Save as disclosed above, there were no other significant changes in the Group's financial position or from the information disclosed under the section headed "Management Discussion and Analysis" in the annual report for the year ended 31 December 2019.

By order of the Board

WU Xiaodong

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 August 2020

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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**"), were as follows:

Long positions in the Shares:

Name of Director	Number of Shares held, capacity and nature of interests		Percentage of the Company's issued Shares [#]
	Personal interest	Total	
WU Xiaodong (resigned on 18 September 2020)	800,000	800,000	0.01%

Note:

[#] The total number of issued Shares as at 30 June 2020 was 5,943,745,741.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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 previous 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. No share option under the Share Option Scheme was granted as at 30 June 2020. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption i.e. 15 April 2005.

During the Period, the movements of the share options granted by the Company under the Expired Share Option Scheme are as follows:

Name or category of participant	Number of share options					As at 30 June 2020	Date of grant	Exercise period	Exercise price per Share ¹ HK\$
	As at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period				
Consultants									
In aggregate	120,000,000	–	–	–	–	120,000,000	31-8-10	31-8-10 to 30-8-20	0.227
Other employees									
In aggregate	86,250,000	–	–	–	–	86,250,000	31-8-10	31-8-10 to 30-8-20	0.227
	206,250,000	–	–	–	–	206,250,000			

Notes:

1. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.
2. All the share options under the Expired Share Option Scheme lapsed by the end of August 2020.

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 Share in, or debentures of, the Company or any other body corporate at any time during the Period or at the end of the Period.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the substantial shareholders of the Company and other persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued Shares [#]
Billirich	(a)	Long	Beneficial owner	1,031,595,000	17.36%
AVIC Int'l (HK)	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%
Tacko International Limited	(a)	Long	Interest of controlled corporations	1,031,595,000	17.36%
AVIC HK Group	(a), (b)	Long	Beneficial owner and Interest of controlled corporations	1,535,618,891	25.84%
AVIC International Holding Corporation	(a), (b), (c)	Long	Interest of controlled corporations	1,596,428,891	26.86%
Aviation Industry Corporation of China, Ltd. (" AVIC ")	(a), (b), (c)	Long	Interest of controlled corporations	1,596,428,891	26.86%
Grand Win Overseas Ltd. (" Grand Win ")	(d)	Long	Beneficial owner	313,965,000	5.28%
Sun Shining Investment Corp.	(d)	Long	Interest of controlled corporation	313,965,000	5.28%
Tai Yuen Textile Company Ltd.	(d)	Long	Interest of controlled corporations	313,965,000	5.28%

[#] The total number of issued Shares as at 30 June 2020 was 5,943,745,741.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Notes:

- (a) 1,031,595,000 Shares were directly held by Billirich. Billirich is a wholly-owned subsidiary of AVIC Int'l (HK). Tacko International Limited holds approximately 34.34% of the issued share capital of AVIC Int'l (HK). Tacko International Limited is a wholly-owned subsidiary of AVIC HK Group, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a 62.52% owned subsidiary of AVIC. Accordingly, all these companies are deemed to be interested in the Shares held by Billirich.
- (b) Out of the 1,535,618,891 Shares in which AVIC HK Group was interested, 504,023,891 Shares were directly held by AVIC HK Group while 1,031,595,000 Shares were directly held by Billirich. As explained in Note (a) above, AVIC HK Group is deemed to be interested in the 1,031,595,000 Shares held by Billirich.
- (c) Out of the 1,596,428,891 Shares in which AVIC and AVIC International Holding Corporation were interested, 504,023,891 Shares were directly held by AVIC HK Group, 1,031,595,000 Shares were directly held by Billirich and 60,810,000 Shares were directly held by AVIC Joy Air. As explained in Note (a), each of AVIC and AVIC International Holding Corporation is deemed to be interested in the Shares held by Billirich. AVIC HK Group is a wholly-owned subsidiary of AVIC International Holding Corporation which is in turn a 62.52% owned subsidiary of AVIC. Thus, each of AVIC and AVIC International Holding Corporation is also deemed to be interested in the Shares held by AVIC HK Group. AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Holdings Limited ("**AVIC Joy Air (HK)**"). AVIC Joy Air is a wholly-owned subsidiary of 幸福航空控股有限公司 which in turn is owned by AVIC and AVIC International Holding Corporation jointly. Therefore, each of AVIC and AVIC International Holdings Corporation is deemed to be interested in the Shares held by AVIC Joy Air Holdings Limited.
- (d) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 82.85% equity interest in Sun Shining Investment Corp. and therefore, these companies are deemed to be interested in the Shares held by Grand Win.

On 15 September 2020, AVIC HK Group, AVIC Joy Air, AVIC Int'l (HK), Billirich and AVIC Joy Air Holdings Limited (幸福航空控股有限公司) entered into a share purchase and loan transfer agreement with Sincere View International Limited 信景國際有限公司 ("**Sincere View**") whereby AVIC Int'l (HK), Billirich, AVIC HK Group and AVIC Joy Air agreed to transfer an aggregate of 1,596,428,891 Shares to Sincere View. Completion of the said transfers of Shares took place on 18 September 2020. Since Mr. Hon Kwok Lung ("**Mr. Hon**") maintains 100% beneficial interests in Sincere View, Mr. Hon is deemed to be interested in 1,596,428,891 Shares in which Sincere View is interested. In addition, Ms. Lam Suk Ying, spouse of Mr. Hon, is deemed to be interested in 1,596,428,891 Shares in which Mr. Hon is interested.

Save as disclosed above, as at 30 June 2020, so far as known to any Director or the chief executive of the Company, no other person (other than the Directors or the chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OTHER INFORMATION

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Period, save and except the followings:

- (i) code provision A.2.1 of the CG Code stipulates that the roles of chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to the resignation of Mr. GUAN Liqun with effect from 9 January 2020, he was an executive Director, the chief executive officer of the Company and the chairman of the Board. Prior to the resignation of Mr. WU Xiaodong with effect from 18 September 2020, he was an executive Director, the chief executive officer of the Company and the chairman of the Board with effect from 9 January 2020. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

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

- (ii) code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors (including independent non-executive Directors) have been appointed without specific terms. However, the non-executive Directors are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**"); and
- (iii) code provision D.1.4 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have letters of appointment for the Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association. Moreover, the Directors are required to comply with the requirements under statute and common laws, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and other applicable legal and regulatory requirements.

OTHER INFORMATION

Compliance with Model Code

The Company has adopted the Model Code set out in Appendix 10 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.

Audit Committee

The audit committee of the Company (the "**Audit Committee**"), comprising all the independent non-executive Directors, namely Mr. GUO Wei (chairman of the Audit Committee), Ms. WU Rui and Mr. JIANG Ping, has reviewed the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters with the management of the Group. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 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.

Updated Information of Directors pursuant to Rule 13.51B(1) of the Listing Rules

Since 1 January 2020 and up to the date of this interim report, the changes in information on Directors are as follows:

- Mr. WU Xiaodong was appointed as an executive Director, the chief executive officer of the Company and the chairman of the Board with effect from 9 January 2020 in place of Mr. GUAN Liqun.

After having made all reasonable enquiry, the Board is not aware of any information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period.

Compliance with Appendix 16 to the Listing Rules

According to paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the Company's annual report for the year ended 31 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Continuing operations			
Revenue – Leases		3,285	3,969
Other income, gains and losses	5	9,716	1,691
Impairment losses under expected credit loss (“ECL”) model, net of reversal	6	–	(67)
Administrative expenses		(13,229)	(21,036)
Impairment of intangible assets	14	(225,000)	–
Gain on disposal of subsidiaries	18	34,823	–
Finance costs	7	(39,428)	(56,998)
Share of profits of joint ventures		13,957	357
Loss before tax		(215,876)	(72,084)
Income tax credit	8	54,763	69
Loss for the period from continuing operations	9	(161,113)	(72,015)
Discontinued operations			
Loss for the period from discontinued operations	10	–	(1,248)
Loss for the period		(161,113)	(73,263)
Attributable to:			
Owners of the Company		(74,196)	(69,681)
Non-controlling interests		(86,917)	(3,582)
		(161,113)	(73,263)
LOSS PER SHARE			
From continuing and discontinued operations	11		
Basic and diluted		(HK1.25 cents)	(HK1.17 cents)
From continuing operations			
Basic and diluted		(HK1.25 cents)	(HK1.15 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	839	2,995
Right-of-use assets	13	1,413	2,448
Investment properties	13	–	19,712
Intangible assets	14	–	225,000
Investments in joint ventures		73,575	59,618
Prepayments and deposits		382	229
Finance lease receivables	16	35,688	49,253
		111,897	359,255
CURRENT ASSETS			
Contract costs	17	288,271	285,352
Trade receivables	15	17,986	21,245
Prepayments, deposits and other receivables		8,051	17,376
Finance lease receivables	16	87,515	90,674
Promissory note receivable		62,300	62,300
Amounts due from joint ventures		118,570	128,394
Bank balances and cash		114,348	33,051
		697,041	638,392
Assets classified as disposal group held for sale	18	–	1,528,468
		697,041	2,166,860
CURRENT LIABILITIES			
Trade payables	19	7,201	8,550
Other payables and accruals		145,559	127,487
Lease liabilities		922	1,492
Interest-bearing bank and other borrowings	20	262,693	202,634
Loans from related companies		800,470	206,979
Loans from joint ventures		5,486	13,343
Loans from non-controlling shareholders		32,131	32,189
Tax payable		3,927	2,454
		1,258,389	595,128
Liabilities classified as disposal group held for sale	18	–	1,208,635
		1,258,389	1,803,763
NET CURRENT (LIABILITIES) ASSETS		(561,348)	363,097
TOTAL ASSETS LESS CURRENT LIABILITIES		(449,451)	722,352

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		479	904
Interest-bearing bank and other borrowings	20	75,029	195,861
Loans from related companies	20	23,184	815,626
Deferred tax liabilities		232	56,482
		98,924	1,068,873
NET LIABILITIES			
		(548,375)	(346,521)
CAPITAL AND RESERVES			
Share capital	21	2,234,815	2,234,815
Other reserves		(2,731,631)	(2,616,694)
Equity attributable to owners of the Company		(496,816)	(381,879)
Non-controlling interests		(51,559)	35,358
		(548,375)	(346,521)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company											
	Share capital	Share option reserve	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Reserve funds	Property revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	2,234,815	14,114	(128,400)	58,086	823,357	(39,955)	1,707	9,426	(2,890,499)	82,651	192,785	275,436
Loss for the period	-	-	-	-	-	-	-	-	(69,681)	(69,681)	(3,582)	(73,263)
Other comprehensive (expense) income for the period:												
Fair value loss on investment in equity instrument at fair value through other comprehensive income	-	-	(10,000)	-	-	-	-	-	-	(10,000)	-	(10,000)
Exchange differences on translation of foreign operations	-	-	-	-	-	887	-	-	-	887	3	890
Total comprehensive (expense) income for the period	-	-	(10,000)	-	-	887	-	-	(69,681)	(78,794)	(3,579)	(82,373)
At 30 June 2019 (Unaudited)	2,234,815	14,114	(138,400)	58,086	823,357	(39,068)	1,707	9,426	(2,960,180)	3,857	189,206	193,063

	Attributable to owners of the Company											
	Share capital	Share option reserve	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Reserve funds	Property revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	2,234,815	14,114	(145,022)	58,086	823,357	(47,103)	-	9,426	(3,329,552)	(381,879)	35,358	(346,521)
Loss for the period	-	-	-	-	-	-	-	-	(74,196)	(74,196)	(86,917)	(161,113)
Other comprehensive expense for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,599)	-	-	-	(2,599)	-	(2,599)
Reclassification adjustments for foreign operations disposed of during the period	-	-	-	-	-	(38,142)	-	-	-	(38,142)	-	(38,142)
Total comprehensive income/(expenses) for the period	-	-	-	-	-	(40,741)	-	-	(74,196)	(114,937)	(86,917)	(201,854)
Disposal of subsidiaries (Note 18)	-	-	-	-	-	-	-	(9,426)	9,426	-	-	-
At 30 June 2020 (Unaudited)	2,234,815	14,114	(145,022)	58,086	823,357	(87,844)	-	-	(3,394,322)	(496,816)	(51,559)	(548,375)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Loss for the period	(215,876)	(72,979)
Adjustment for:		
Finance costs	39,428	57,881
Share of profits of joint ventures	(13,957)	(357)
Depreciation of property, plant and equipment and right-of-use assets	673	1,966
Impairment of intangible assets	225,000	-
Gain on disposal of subsidiaries	(34,823)	-
Others	4,104	2,337
Operating cash flows before movements in working capital	4,549	(11,152)
Decrease in prepayments, deposits and other receivables	8,715	9,068
Decrease in finance lease receivables	17,017	4,078
Others	6,441	14,183
Cash generated from operations	36,722	16,177
Income tax paid	(14)	(271)
NET CASH FLOWS FROM OPERATING ACTIVITIES	36,708	15,906
INVESTING ACTIVITIES		
Net cash inflow from disposal of subsidiaries	368,403	-
Proceeds from disposal of investment properties	17,049	-
Repayment from a joint venture	1,331	-
Interest received	212	65
Purchases of items of property, plant and equipment	-	(102)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	386,995	(37)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Advanced of loans from related companies	2,000	82,271
Repayment of loans to related companies	(242,723)	–
Repayment of bank and other borrowings	(55,009)	(63,234)
Interest paid	(22,975)	(35,368)
Repayment to joint ventures	(7,856)	–
Repayment of lease liabilities	(457)	(1,935)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(327,020)	(18,266)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	96,683	(2,397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	33,051	40,484
Effect of foreign exchange rate changes	(15,386)	431
CASH AND CASH EQUIVALENTS AT END OF PERIOD	114,348	38,518
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by:		
Bank balances and cash	114,348	38,518

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

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

The Group was principally involved in the management and operation of light-emitting diode (“**LED**”) energy management contracts (“**EMC**”); 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**”). The Group operates LED EMC business through its investment in a joint venture.

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements. The auditor’s report was unqualified but included a paragraph heading material uncertainty related to going concern; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. BASIS OF PREPARATION *(continued)*

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$161 million for the period ended 30 June 2020 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$548 million as at 30 June 2020. The Group's total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loan from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,199 million, out of which bank and other borrowings of approximately HK\$263 million and loans from related companies, loans from joint ventures, loans from non-controlling shareholders of approximately HK\$838 million are due for repayment in the next twelve months from the date of approval of these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

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

4. OPERATING SEGMENT INFORMATION

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

- (a) Management and operation of LED EMC;
- (b) Provision of finance lease and loan services and property investment; and
- (c) Provision of land development services.

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

Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that impairment of amounts due from joint ventures and certain finance costs, depreciation and amortisation, as well as corporate and other unallocated expenses are excluded from such measurement.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 and 2019.

	Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Leases	-	-	3,285	3,969	-	-	3,285	3,969
Segment results	13,952	333	8,135	(41,972)	(228,743)	(2,534)	(206,656)	(44,173)
<i>Reconciliation:</i>								
Finance costs								
- unallocated							(21,815)	(21,350)
Corporate and other unallocated expenses							12,595	(6,627)
Loss before tax							(215,876)	(72,150)
Income tax credit							54,763	69
Loss for the period							(161,113)	(72,081)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME, GAINS AND LOSSES

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	212	59
Promissory note interest income	-	870
Gross rental income	-	619
	212	1,548
Other gains and losses, net		
Exchange (losses)/gains, net	(2,831)	91
Fair value losses on investment properties, net	(2,340)	-
Others	14,675	52
	9,504	143
	9,716	1,691

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net impairment losses recognised/(reversed) on:		
- Trade receivables	-	3,876
- Other receivables	-	(3,809)
	-	67

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL *(continued)*

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of Group's annual financial statements for the year ended 31 December 2019.

During the prior interim period, the Group provided impairment allowance of HK\$3,876,000 on individual debtors with credit-impaired due to delay in repayment by certain debtors with significant balances, and reversed HK\$3,809,000 impairment allowance on other receivables due to repayment by certain debtors.

7. FINANCE COSTS

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

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

8. INCOME TAX CREDIT

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2019: nil). Taxation on PRC profit was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current – PRC Enterprise Income Tax	54,763	69

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. LOSS FOR THE PERIOD – CONTINUING OPERATIONS

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

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

10. DISCONTINUED OPERATIONS

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. DISCONTINUED OPERATIONS (continued)

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

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

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. LOSS PER SHARE

For continuing operations

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

From continuing and discontinued operations

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

From discontinued operations

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

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

12. DIVIDENDS

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. INTANGIBLE ASSETS

As at 30 June 2020, the amount of intangible assets is nil (31 December 2019: HK\$225,000,000) in respect of land development contracts in relation to the land development of New Central Coastal City (中部濱海新城) (the “**Project Land**”) and construction work of Ronggang Boulevard (融港大道) (collectively referred to as the “**Project**”). AVIC International (Fujian) Industrial Co., Ltd. (“**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 City Municipal Government (the “**Fuqing Government**”) entered into the Master Investment and Construction Co-operation Agreement (“**MICCA**”). Pursuant to the MICCA, the Fuqing City Municipal 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 Boulevard.

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 (the “**Notice**”), 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 a lawsuit 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. In May 2019, the Putian Court had processed the case. On 20 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 made in profit or loss for the current period. As at 30 June 2020, the impairment on the intangible assets of the project amounted to HK\$964,000,000 (31 December 2019: HK\$739,000,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. TRADE RECEIVABLES

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

The trade receivables are all relating to the provision of land development services and sales of construction materials. The credit period is generally 90 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has concentration of credit risk as 84% (31 December 2019: 85%) of the total trade receivables was due from the Group's largest customer. The Group performs impairment assessment under ECL model on trade balances based on individual assessment. The management has based on the past repayment pattern with forward looking information to determine the provision rate of ECL for significant gross balances. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

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

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

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

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$17,986,000 (31 December 2019: HK\$21,245,000) which are past due. All of the past due balances has been past due 90 days or more and is not considered as in default as the management expects that the debtor is able and likely to pay for the debts based on repayment history.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. FINANCE LEASE RECEIVABLES

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

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

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

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. CONTRACT COSTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Pre-contract/setup costs to fulfil contracts relation to land development services incurred to date	288,271	285,352

Contract costs capitalised relate to contribution costs in relation to land development services on the Project Land incurred up to date.

18. DISPOSAL GROUP HELD FOR SALE/DISPOSAL OF SUBSIDIARIES

- (a) As at 31 December 2019, Shanghai Shangju, which holds one of the Group's property investment operations, were expected to be sold within twelve months. The assets and liabilities attributable to Shanghai Shangju have been classified as a disposal group held for sale and were presented separately as follows:

	31 December 2019 HK\$'000 (Audited)
Property, plant and equipment	1,672
Investment properties	1,519,280
Prepayments, deposits and other receivables	6,507
Bank balances and cash	1,009
Total assets classified as held for sale	1,528,468
Creditors and accrued expenses	(1,891)
Loan from related companies	(75,040)
Bank borrowings	(1,131,704)
Total liabilities classified as held for sale	(1,208,635)

On 4 February 2020, the Group has entered into an equity transaction agreement with an independent third party for the disposal of its entire equity interest in Shanghai Shangju at a consideration of RMB337,010,000 (equivalent to approximately HK\$367,341,000). The disposal has been completed on 30 March 2020, on which date the Group lost control of Shanghai Shangju.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. DISPOSAL GROUP HELD FOR SALE/DISPOSAL OF SUBSIDIARIES *(continued)*

(a) (continued)

The net assets disposed of were as follows:

	HK\$'000
<hr/> <hr/>	
Net assets disposed of:	
Property, plant and equipment	1,622
Investment properties	1,478,585
Prepayments, deposits and other receivables	1,096
Balances with fellow subsidiaries, net	380,028
Bank balances and cash	298
Deferred income, other payables and accruals	(398,728)
Interest-bearing bank and other borrowings	(1,092,483)
	<hr/>
	370,418
<hr/> <hr/>	
Gain on disposal of subsidiaries:	
Consideration received	367,341
Net assets disposed of	(370,418)
Reclassification of cumulative translation reserve upon disposal of Shanghai Shangju to profit or loss	38,142
	<hr/>
	35,065
<hr/> <hr/>	
Satisfied by:	
Cash	367,341
<hr/>	
Net cash inflow arising on disposal:	
Total cash consideration received	367,341
Bank balances and cash disposed of	(298)
	<hr/>
	367,043
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. DISPOSAL GROUP HELD FOR SALE/DISPOSAL OF SUBSIDIARIES *(continued)*

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

The net assets disposed of were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	1,331
Prepayments, deposits and other receivables	296
Deferred income, other payables and accruals	(25)
	1,602
Loss on disposal of subsidiaries:	
Consideration received	1,360
Net assets disposed of	(1,602)
	(242)
Satisfied by:	
Cash	1,360
New cash inflow arising on disposal:	
Total cash consideration received	1,360

19. TRADE PAYABLES

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. INTEREST-BEARING BANK AND OTHER BORROWINGS AND LOANS FROM RELATED COMPANIES

During the current interim period, the Group obtained advances from related companies amounting to HK\$2,000,000 (2019: HK\$82,271,000). The loans carry interest at fixed market rates of 5.6% and are repayable in 2 years. The Group also repaid bank and other borrowing amounting to HK\$30,534,000 (2019: HK\$63,234,000).

21. SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 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 2019, 30 June 2019, 1 January 2020 and 30 June 2020	5,943,745,741	2,234,815

22. COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$2,419,000 (31 December 2019: HK\$1,746,000) contracted but not provided for in the condensed consolidated financial statements as at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expenses to related companies	(i)	19,618	12,679
Interest expenses to a non-controlling shareholder	(ii)	-	5,646
Interest income from joint ventures		652	1,941

Notes:

- (i) The interest expenses paid to related companies whose ultimate holding company is one of the Company's substantial shareholders were charged at interest rates ranging from 5% to 5.8% (2019: 5% to 5.8%) per annum.
- (ii) The interest expenses paid to a non-controlling shareholder were charged at interest rate of nil (2019: 5%) per annum.
- (b) Outstanding balances with related parties:
- (i) The loans from related companies are unsecured, bear interest rates ranging from nil to 5.8% (31 December 2019: nil to 5.8%) per annum and are repayable in 2020 and 2021 (31 December 2019: repayable in 2020 and 2021).
- (ii) The loan from a non-controlling shareholders are unsecured, non-interest bearing (31 December 2019: nil) per annum and is repayable in 2020 (31 December 2019: repayable in 2020).
- (iii) All remaining balances with non-controlling shareholders and joint ventures are unsecured, non-interest-bearing and have no fixed terms of repayment.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	343	422

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the condensed consolidated financial statements at the end of the reporting period approximate their fair values. The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.