



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)

2022

Interim Report



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CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited (the “Company”), and together with its subsidiaries, the “Group”)

BOARD (THE “BOARD”) OF DIRECTORS (THE “DIRECTORS”)

Executive Directors

Mr. Chang Chien (Chairman of the Board, with effect from 4 February 2022)

Mr. Lam Toi Man

Mr. Zhu Chengye (appointed on 4 February 2022)

Mr. Chan Hon Wai

(former Chairman of the Board and Chief Executive Officer, resigned on 30 January 2022)

Mr. Tse Tin (resigned on 31 January 2022)

Independent Non-executive Directors

Mr. To Chun Kei

Mr. Lok Tze Bong (appointed on 24 June 2022)

Mr. Kam, Eddie Shing Cheuk

(appointed on 22 April 2022 and resigned on 3 August 2022)

Mr. Weng Huaren

(appointed on 4 February 2022 and resigned on 24 June 2022)

Mr. Liu Jingwei (resigned on 31 January 2022)

Mr. Zheng Yanqing (resigned on 31 January 2022)

AUDIT COMMITTEE

Mr. To Chun Kei (Chairman)

Mr. Lok Tze Bong

(appointed on 24 June 2022)

Mr. Kam, Eddie Shing Cheuk

(appointed on 22 April 2022 and resigned on 3 August 2022)

Mr. Weng Huaren

(appointed on 4 February 2022 and resigned on 24 June 2022)

Mr. Liu Jingwei (resigned on 31 January 2022)

Mr. Zheng Yanqing (resigned on 31 January 2022)

REMUNERATION COMMITTEE

Mr. To Chun Kei (Chairman)

Mr. Chang Chien

Mr. Lok Tze Bong

(appointed on 24 June 2022)

Mr. Weng Huaren

(appointed on 4 February 2022 and resigned on 24 June 2022)

Mr. Tse Tin (resigned on 31 January 2022)

Mr. Liu Jingwei (resigned on 31 January 2022)

Mr. Zheng Yanqing (resigned on 31 January 2022)

NOMINATION COMMITTEE

Mr. To Chun Kei (Chairman, with effect from 4 February 2022)

Mr. Lam Toi Man

Mr. Lok Tze Bong

(appointed on 24 June 2022)

Mr. Weng Huaren

(appointed on 4 February 2022 and resigned on 24 June 2022)

Mr. Chan Hon Wai (former Chairman and resigned on 30 January 2022)

Mr. Liu Jingwei (resigned on 31 January 2022)

Mr. Zheng Yanqing (resigned on 31 January 2022)

COMPANY SECRETARY

Mr. Pang Kai Cheong

(appointed on 1 August 2022)

Mr. Ng Yu Ho

(resigned on 31 July 2022)

AUTHORIZED REPRESENTATIVES

Mr. Chang Chien

Mr. Pang Kai Cheong

(appointed on 1 August 2022)

Mr. Lam Toi Man

(ceased to act as the Authorized Representative on 31 July 2022)

COMPANY'S WEBSITE

www.avicjoyhk.com

REGISTERED OFFICE

Unit 1905A, Level 19,

International Commerce Centre,

1 Austin Road West, Kowloon,

Hong Kong

(with effect from 22 April 2022)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Old Address: Level 54, Hopewell Centre,

183 Queen's Road East, Hong Kong

New Address: 17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

(with effect from 15 August 2022)

INDEPENDENT AUDITORS

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022 (the “**Period**”), the principal business activities of the Group comprise 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**” or “**China**”). The Group also operates LED EMC business through its investment in a joint venture.

Under the novel coronavirus (“**COVID-19**”), the Group will continuously 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 PPP Class 1 land Central New Coastal City* (中部濱海新城) and the construction of Ronggang Avenue* (融港大道) (collectively referred to as the “**Project**”) at Fuqing City, Fujian Province, 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 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* (福清市人民政府) (the “**Fuqing Government**”) to continue to execute the land development contract in relation to the Project. The Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group. As a result, the land development of the Project will continue to be suspended. The Group filed an appeal to the High People’s Court of Fujian Province* (福建省高級人民法院) (the “**High People’s Court**”) in June 2020 to protect its interests. The High People’s Court has accepted the appeal on 6 August 2020 and the Group is expecting the notice of hearing. The hearing will be scheduled at the discretion of the High People’s Court. Besides, the Group has started mediation to resolve the dispute with Fuqing Government in 2021. The Group will still try its best to restart the Project as soon as practicable.

OPERATIONAL REVIEW

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

During the Period, due to resurgence of COVID-19 in both Hong Kong and the PRC, continued travel restrictions were imposed by the governments, a few discussions of new projects, which were in advanced form, are yet to be finalised and enter into final contracts. On 25 May 2022, the Group entered a finance lease arrangement with Beijing Hanjian Heshan Pipeline Co., Ltd.* (北京韓建河山管業股份有限公司), which the Group shall receive total lease interest of RMB1,593,212 over a lease period of 36 months and a management fee of RMB130,000. However, several finance lease projects were finished during the Period. Therefore, the revenue recorded for the Period from finance lease business decreased to approximately HK\$1,708,000 (2021: approximately HK\$2,004,000), representing a decrease of approximately 14.8%.

The Group has disposed all of its commercial properties during the year ended 31 December 2020, and the Group no longer holds any investment properties since then.

* English translation for reference only.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) PPP Class 1 Land Development Business

During the Period, no revenue was recorded in the Group's business in the Project (2021: Nil).

During the Period, the loss of this segment decreased to approximately HK\$3,859,000 (2021: approximately HK\$16,190,000), mainly due to decrease in interest on bank loans and no imputed interest provided on loans from related companies.

(3) LED EMC Business

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

During last year, 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.

FINANCIAL REVIEW

During the Period, the revenue of the Group amounted to approximately HK\$1,708,000 (2021: approximately HK\$2,004,000), representing a decrease of approximately 14.8% as compared with the corresponding period of the previous year, which mainly attributed to decline in the number of ongoing projects of finance lease business.

The net loss of the Group was approximately HK\$19,296,000 during the Period as compared with the net loss of approximately HK\$45,013,000 in the corresponding period of the previous year. The decrease in net loss was mainly attributable to decrease in finance costs by approximately HK\$23,012,000 as (i) no imputed interest provided on loans from related companies during the Period (2021: approximately HK\$16,882,000); and (ii) lower interest on banks loans upon repayment of certain bank loans during the Period.

FINANCIAL RESOURCES

As at 30 June 2022, 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\$1,323.5 million (31 December 2021: approximately HK\$1,307.5 million). Cash and bank balances amounted to approximately HK\$39.2 million (31 December 2021: approximately HK\$28.8 million). Net debt amounted to approximately HK\$1,284.3 million (31 December 2021: approximately HK\$1,278.7 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\$721.5 million (31 December 2021: approximately HK\$743.9 million), was 178.0% (31 December 2021: 171.9%).

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2021: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 25 employees (2021: 28). The staff costs for the Period amounted to approximately HK\$3.8 million (2021: approximately HK\$4.4 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change 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 2022, the Group had pledged certain finance lease receivables for bank and other borrowings granted.

PROSPECTS

Since the beginning of 2020, the COVID-19 pandemic has continuously dealt a severe blow to the global economy. COVID-19 and the Omicron variant are still affecting commercial and economic activities around the world. The COVID-19 pandemic continuously added uncertainties to the Group's operating performance and development, making it difficult for the Group to make any forecasts at present. The Group will keep a close eye on the changes in the pandemic situation and the global economy, based on which it will make appropriate responses and adjustments and control risks. In the future, the Group's business prospect in the following areas is as follows:

(1) PPP Class 1 Land Development Business

Regarding PPP Class 1 land development business, 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. For details, please refer to the section headed "Management Discussion and Analysis – Business Review".

The Group has started mediation to resolve the dispute with the Fuqing Government in 2021. The Group will still try its best to restart the Project as soon as practicable.

(2) LED EMC Business

For details, please refer to the section headed "Management Discussion and Analysis – Operational Review – (3) LED EMC Business".

In view of the increasing global market concerns on energy saving and the favourable policies of the PRC government on energy conservation and environmental protection business, the Group believes that the prospect of LED EMC business is optimistic.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Finance Lease and Loan Services

The Group has been continuously supporting the development of the finance lease business of its subsidiaries. Despite the resurgence of COVID-19 in both Hong Kong and the PRC and continued travel restrictions imposed by governments during the Period, the Group was still looking for development opportunities and entered into a finance lease arrangement. For details, please refer to the section headed “Management Discussion and Analysis – Operational Review – (1) Finance Lease and Loan Services and Property Investment Business”.

In early August 2022, the Group entered into a strategic cooperation agreement with a wholly-owned subsidiary of Citychamp Dartong Co., Ltd.* (冠城大通股份有限公司) and planned to provide the latter’s customers with yacht agency and yacht-related finance lease services, in hope of expanding its customer base and seizing potential business opportunities.

(4) Gas And Petroleum Products Sales Business

Although the Group completed the exit of all gas businesses in 2019, geopolitical tensions in Ukraine and sanctions imposed by various countries on Russia are likely to keep global demand for petroleum rising. In addition, petroleum is a necessity of life for citizens, which is used in many aspects of daily life. The Company sized up the situation and decided to restart the gas and petroleum products sales business from August 2022, with the main business area and customers temporarily concentrated in Hong Kong.

Looking forward, despite the ongoing impact of COVID-19 and the Omicron variant on a global scale, which causes hidden concerns for industries around the world, weakens economic activities and intensifies business competition pressure, the outlook for investing in new markets is challenging. The Group remains cautiously optimistic about the outlook. It will adopt a proactive and prudent development strategy to develop the existing businesses of the Company under the premise of controlling the business risks, and also look for new commercial investment opportunities, hoping to expand valuable businesses.

* *English translation for reference only.*

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 2022, 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 2022, 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 2022 was 5,943,745,741.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 14 to the Listing Rules (the "**CG Code**") throughout the six months ended 30 June 2022, 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. Prior to the resignation of Mr. Chan Hon Wai ("**Mr. Chan**") with effect from 30 January 2022, he was an executive Director, the chief executive officer and the chairman of the Board. 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 to fill the vacancy after Mr. Chan resigned. 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 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

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Mr. Kam, Eddie Shing Cheuk ("**Mr. Kam**"), has resigned as an independent non-executive Director and a member of the audit committee of the Company (the "**Audit Committee**") with effect from 3 August 2022 as he wishes to devote more time to his other commitments.

Following the resignation of Mr. Kam, the Company has two independent non-executive Directors only. As a result, the number of independent non-executive Directors of the Company has fallen below the minimum number required under Rule 3.10(1) of the Listing Rules. In addition, the Company fails to meet the composition requirement of the Audit Committee under Rule 3.21 of the Listing Rules.

The Board will make its best endeavours to identify suitable candidate to fill the vacancy as soon as practicable, with the relevant appointment to be made within three months from the date of the resignation of Mr. Kam to meet the requirements under the Listing Rules and will make further announcement as and when appropriate.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENT

As at the date of this interim report, the Audit Committee consists of two independent non-executive Directors, namely Mr. To Chun Kei (the chairman of the Audit Committee) and Mr. Lok Tze Bong. 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 2022 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

The Company has received a letter dated 7 September 2022 from the Stock Exchange (the “**Letter**”), which serves as a notice pursuant to Rule 6.10 of the Listing Rules, that the listing division of the Stock Exchange has decided to suspend trading in the shares of the Company under Rule 6.01(3) of the Listing Rules and proceed with cancellation of the Company’s listing under Rule 6.01A(1) of the Listing Rules (the “**Decision**”). Pursuant to the Letter, the Company is required to re-comply with Rule 13.24 of the Listing Rules and it will have a remedial period of 18 months to re-comply with Rule 13.24 of the Listing Rules. If the Company fails to do so by the expiry of the 18-month period, the Stock Exchange will proceed with cancellation of the Company’s listing.

Under Chapter 2B of the Listing Rules, the Company has the right to have the Decision referred to the Listing Committee of the Stock Exchange (the “**Listing Committee**”) for review. On 19 September 2022, the Company submitted a written request to the Stock Exchange for the Decision be referred to the Listing Committee for review. For further details, please refer to the announcements of the Company dated 7 September 2022, 9 September 2022 and 19 September 2022 respectively.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2022.

PUBLICATIONS OF INTERIM REPORT

This 2022 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, 30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue		1,708	2,004
Cost of Sales		-	-
Gross profit		1,708	2,004
Other income, gains and losses	5	2,697	176
Administrative expenses		(9,851)	(9,204)
Finance costs	6	(21,955)	(44,967)
Share of profits of joint ventures		8,114	6,988
Loss before tax		(19,287)	(45,003)
Income tax expense	7	(9)	(10)
Loss for the period	8	(19,296)	(45,013)
Attributable to:			
Owners of the Company		(17,251)	(36,821)
Non-controlling interests		(2,045)	(8,192)
		(19,296)	(45,013)
LOSS PER SHARE	9		
Basic and diluted		(HK0.29 cents)	(HK0.62 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss for the period	(19,296)	(45,013)
Other comprehensive (expenses)/income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(5,706)	1,659
Share of joint ventures' exchange differences on translation of foreign operations	(4,243)	812
Other comprehensive (expenses)/income for the period	(9,949)	2,471
Total comprehensive expenses for the period	(29,245)	(42,542)
Total comprehensive expenses attributable to:		
Owners of the Company	(28,048)	(34,459)
Non-controlling interests	(1,197)	(8,083)
	(29,245)	(42,542)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	327	436
Right-of-use assets	11	3,995	73
Investments in joint ventures		98,415	94,544
Prepayments and deposits		136	125
Finance lease receivables	14	13,634	3,795
		116,507	98,973
CURRENT ASSETS			
Contract costs	15	309,914	324,206
Trade receivables	13	19,285	20,175
Prepayments, deposits and other receivables		10,160	10,908
Finance lease receivables	14	16,325	24,494
Promissory note receivables		62,300	62,300
Amounts due from joint ventures		111,937	128,968
Bank balances and cash		39,155	28,845
		569,076	599,896
CURRENT LIABILITIES			
Trade payables	16	7,736	8,093
Other payables and accruals		52,401	216,635
Lease liabilities		1,495	78
Bank and other borrowings	17	192,556	212,778
Loans from related companies	17	23,390	820,911
Loans from joint ventures		15,168	15,858
Loans from non-controlling shareholders		32,343	32,343
Tax payable		2,486	2,502
		327,575	1,309,198
NET CURRENT ASSETS/(LIABILITIES)		241,501	(709,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		358,008	(610,329)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		2,602	-
Other payables and accruals		186,629	-
Bank and other borrowings	17	-	786
Loans from related companies	17	809,137	-
Deferred tax liabilities		232	232
		998,600	1,018
NET LIABILITIES		(640,592)	(611,347)
CAPITAL AND RESERVES			
Share capital	18	2,234,815	2,234,815
Other reserves		(2,797,619)	(2,769,571)
Equity attributable to owners of the Company		(562,804)	(534,756)
Non-controlling interests		(77,788)	(76,591)
		(640,592)	(611,347)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021 (Audited)	2,234,815	(145,022)	58,086	823,357	(81,645)	(3,391,574)	(501,983)	(67,161)	(569,144)
Loss for the period (Unaudited)	–	–	–	–	–	(36,821)	(36,821)	(8,192)	(45,013)
Other comprehensive income for the period: (Unaudited)									
Exchange differences on translation of foreign operations (Unaudited)	–	–	–	–	2,362	–	2,362	109	2,471
Total comprehensive income/(expenses) for the period (Unaudited)	–	–	–	–	2,362	(36,821)	(34,459)	(8,083)	(42,542)
Deemed capital contribution arising from non-current interest free loans from related companies (Unaudited)	–	–	55,673	–	–	–	55,673	12,413	68,086
At 30 June 2021 (Unaudited)	2,234,815	(145,022)	113,759	823,357	(79,283)	(3,428,395)	(480,769)	(62,831)	(543,600)

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Investment revaluation reserve	Capital reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses			
	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 (expenses)/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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(19,287)	(45,003)
Adjustment for:		
Finance costs	21,955	44,967
Share of profits of joint ventures	(8,114)	(6,988)
Depreciation of property, plant and equipment and right-of-use assets	827	500
Others	(1,016)	283
Operating cash flows before movements in working capital	(5,635)	(6,241)
Decrease in prepayments, deposits and other receivables	1,340	397
(Increase)/decrease in finance lease receivables	(2,999)	15,001
Decrease in amounts due from joint ventures	12,867	–
Others	3,356	(4,071)
Cash generated from operations	8,929	5,086
Income tax paid	–	(1,644)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,929	3,442
INVESTING ACTIVITIES		
Interest received	70	150
Proceeds from disposal of property, plant and equipment	27	–
NET CASH FLOWS FROM INVESTING ACTIVITIES	97	150

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
FINANCING ACTIVITIES		
Advances from related companies	17,451	4,059
Repayment of bank and other borrowings	(13,056)	(12,102)
Interest paid	(1,307)	(2,399)
Advances from/(repayment to) joint ventures	9	(723)
Repayment of lease liabilities	(622)	(460)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	2,475	(11,625)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,501	(8,033)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,845	39,665
Effect of foreign exchange rate changes	(1,191)	(552)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	39,155	31,080
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by:		
Bank balances and cash	39,155	31,080

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 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 also operates LED 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 2021 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 2021 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 qualified and contained a statement under section 407(3) of the Hong Kong Companies Ordinance and with a material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its reports, but did not contain a statement under sections 406(2) or 407(2) of the Hong Kong Companies Ordinance.

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\$19.3 million for the period ended 30 June 2022 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$640.6 million as at 30 June 2022. 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\$1,072.6 million, out of which approximately HK\$263.5 million are due for repayment in the next twelve months from the date of approval of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION *(continued)*

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, subject to the continuous trading of shares of the Company on the Stock Exchange, 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 6 April 2022, 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 2022 to 31 December 2023.
- (iii) The Group is negotiating with the counterparties to renew the existing loans from them.
- (iv) The Group is actively identifying alternative sources of funding.

The directors 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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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 2022. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 and sale of construction materials.

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

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

The following table presents revenue and loss for the Group's primary segment for the six months ended 30 June 2022 and 2021.

	Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	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	-	-	1,708	2,004	-	-	1,708	2,004
Segment results	8,093	6,949	126	(1,655)	(3,859)	(16,190)	4,360	(10,896)
<i>Reconciliation:</i>								
Finance costs								
- unallocated							(19,233)	(29,634)
Unallocated other gain							51	-
Corporate and other unallocated expenses							(4,465)	(4,473)
Loss before tax							(19,287)	(45,003)
Income tax expense							(9)	(10)
Loss for the period							(19,296)	(45,013)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	70	150
Promissory note interest income	949	949
	1,019	1,099
Other gains and losses, net		
Exchange losses, net	(4)	(347)
Loss on disposal of property, plant and equipment	(3)	-
Written off of other receivables	-	(1,381)
Government grants	45	-
Value-added tax refunds	1,526	802
Others	114	3
	1,678	(923)
	2,697	176

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	3,306	9,705
Interest on loans from related companies	18,487	35,244
Interest on lease liabilities	162	18
	21,955	44,967

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Current Tax	9	–
– Under-provision in prior year	–	10
	9	10

8. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	575	550
Depreciation on items of property, plant and equipment	62	72
Depreciation on right-of-use assets	765	428
Written off of other receivables	–	1,381
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages, salaries, allowances and benefits in kind	4,083	5,077
– Pension scheme contributions	211	283
	4,294	5,360

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\$17,251,000 (2021: approximately HK\$36,821,000), and the weighted average number of ordinary shares of 5,943,745,741 (2021: 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 2022 and for the six months ended 30 June 2021 as there are no dilutive potential ordinary shares.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. DIVIDENDS

No dividends were paid, declared or proposed during the Period (2021: Nil). The directors of the Company do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2022.

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 (2021: Nil). Items of equipment with a net book value of approximately HK\$30,000 were disposed of during the Period (2021: Nil), resulting in a loss on disposal of approximately HK\$3,000 (2021: Nil).

During the Period, the Group entered into a number of lease agreements for use of office premises and staff quarters, and therefore recognised the additions to right-of-use assets of approximately HK\$4,789,000 (2021: Nil).

12. INTANGIBLE ASSETS

As at 30 June 2022, the amount of intangible assets is Nil (31 December 2021: 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.

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.

* English translation for reference only.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. INTANGIBLE ASSETS *(continued)*

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 six months ended 30 June 2020. As at 30 June 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.

13. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	55,763	58,335
Less: Allowance for expected credit losses	(36,478)	(38,160)
	19,285	20,175

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

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

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

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Over 1 year	55,763	58,335

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$19,285,000 (31 December 2021: approximately HK\$20,175,000) 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.

* English translation for reference only.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 and 31 December 2021, unguaranteed residual values of assets leased under finance leases are immaterial.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	18,051	27,049	16,325	24,494
In the second year	8,422	2,851	7,200	2,184
In the third year	6,869	1,939	6,434	1,611
	33,342	31,839	29,959	28,289
Less: unearned finance income	(3,383)	(3,550)		
Present value of minimum lease payments	29,959	28,289		
Analysed for reporting purposes as:				
Current assets	16,325	24,494		
Non-current assets	13,634	3,795		
	29,959	28,289		

Effective interest rates of the above finance leases range from 6% to 9% (31 December 2021: 6% 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.

As at 30 June 2022, the Group's finance lease receivables with aggregate carrying amount of approximately HK\$14,624,000 (31 December 2021: approximately HK\$28,289,000) were pledged as security for the Group's certain bank loans.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. CONTRACT COSTS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Pre-contract/setup costs to fulfil contracts relation to land development services incurred to date	309,914	324,206

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Over 120 days	7,736	8,093

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\$17,451,000 (2021: approximately HK\$4,059,000), of which HK\$14,000,000 (2021: HK\$3,000,000) is repayable by 2022 and bears interest at 5% per annum, and HK\$2,500,000 (2021: Nil) is repayable in 2023 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 approximately HK\$13,056,000 (2021: approximately HK\$12,102,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. SHARE CAPITAL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 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 2021, 30 June 2021, 1 January 2022 and 30 June 2022	5,943,745,741	2,234,815

19. COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of approximately HK\$2,833,000 (31 December 2021: approximately HK\$2,963,000) contracted but not provided for and share of capital commitments of joint ventures of approximately HK\$256,719,000 (31 December 2021: approximately HK\$375,173,000) in the condensed consolidated financial statements as at the end of the reporting period.

20. 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 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest expenses to related companies	(i)	18,487	35,244
Interest expenses on lease liabilities to a related company	(ii)	100	-
Office rental and other related expenses to a related company		-	583
Interest income from joint ventures		203	101

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. RELATED PARTY TRANSACTIONS *(continued)*

(a) (continued)

Notes:

- (i) The interest expenses paid to related companies were charged at interest rates ranging from 5% to 5.6175% (2021: 5% to 5.6175%) per annum.
- (ii) The interest expenses on lease liabilities paid to a related company were charged at relevant incremental borrowing rate. Further details of the lease arrangement are set out in note (d) below.

(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 2022 and bears interest at 5.6175% per annum, HK\$20,000,000 is repayable in 2022 and bears interest at 5% per annum, and HK\$2,500,000 is repayable in 2023 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 6 April 2022, 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\$809,137,000 (31 December 2021: approximately HK\$814,972,000) nor any interest to be incurred during the period from 1 January 2022 to 31 December 2023.

- (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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	458	912

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. RELATED PARTY TRANSACTIONS *(continued)*

(d) Leasing arrangement:

In January 2022, the Group entered into a three-year lease in respect of a leasehold property from a related company whose controlling shareholder is also a controlling shareholder of the Company's substantial shareholder for the use as office premises. The amount of rent payable by the Group under the lease is from approximately HK\$85,000 to approximately HK\$89,000 per month, which was determined with reference to amounts charged by the related company to third parties. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of approximately HK\$2,818,000. As at 30 June 2022, the outstanding lease liability of approximately HK\$2,409,000 with the related company is included in "Lease liabilities".