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

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hon Wai
(Chairman and Chief Executive Officer)
(appointed with effect from 18 September 2020)
Wu Xiaodong
(Chairman and Chief Executive Officer)
(appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020)
Chang Chien
(appointed with effect from 18 September 2020)
Lam Toi Man
(appointed with effect from 18 September 2020)
Tse Tin
(appointed with effect from 18 September 2020)
Zhang Zhibiao
(resigned with effect from 18 September 2020)
Wang Ying
(resigned with effect from 18 September 2020)
Mu Yan
(resigned with effect from 18 September 2020)

Independence Non-executive Directors

To Chun Kei
(appointed with effect from 18 September 2020)
Liu Jingwei
(appointed with effect from 18 September 2020)
Zheng Yanqing
(appointed with effect from 18 September 2020)
Jiang Ping
(resigned with effect from 18 September 2020)
Wu Rui
(resigned with effect from 18 September 2020)
Guo Wei
(resigned with effect from 18 September 2020)

COMPANY SECRETARY

Ng Yu Ho

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
(appointed with effect from 18 January 2021)
Deloitte Touche Tohmatsu
Certified Public Accountants
(resigned with effect from 15 January 2021)

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Room 2507, 25/F.
Tower 1, Lippo Centre
89 Queensway
Hong Kong
(with effect from 23 April 2021)

WEBSITE

www.avicjoyhk.com

STOCK CODE

260

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of AVIC Joy Holdings (HK) Limited (the "**Company**"), I hereby present the results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020 (the "**Year**").

The consolidated revenue of the Group decreased from approximately HK$62.4 million (from continuing and discontinued operations) for the year ended 31 December 2019 to approximately HK$5.9 million for the Year. Affected by the impairment losses recognised in land development project, the Group made a loss attributable to the owners of the Company of approximately HK$85.6 million for the Year (2019: approximately HK$440.8 million).

The Group completed the transfer of equity interest on 18 September 2020. The Board considers that the change of equity interest has no material impact on the Group's financial position and operations. Due to the severe damage caused by the global outbreak of novel coronavirus ("**COVID-19**") since late 2019, together with the Sino-US trade tensions, the Group's business performance was inevitably and negatively impacted, making it challenging to invest in new markets.

For the Year, the Group will continue to 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) ("**Zi Yu Tai**"), to provide finance lease services for related equipment of Chinese public hospitals, high-quality listed companies and private enterprises with good growth. On the premise of controlling risks, the Group will focus on sunrise industries and continuously expand the finance lease market.

During the Year, the Group's business in Fuqing City, Fujian Province did not record any sales revenue. Regarding the development of the PPP Class 1 land Central New Coastal City* (中部濱海新城) (the "**Project**"), 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* (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. The Group has 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 rights and interests, the Group will still try its best to restart the Project as soon as practicable.

Looking forward, the global economy is still casted by the COVID-19 and other uncertainties, however, the Group will continue to manage its finances prudently and maintain a sound financial position to meet the needs of its business. The Group also expects to achieve long-term returns for all the shareholders by seizing different opportunities to develop new and valuable businesses and cherishing the goal of sustainable growth.

Last but not least, I would also like to extend my appreciation to all the shareholders, the Board, management team, all employees and business partners for their trust and support.

Chan Hon Wai
Chairman

Hong Kong
30 March 2021

* *English translation for reference only.*

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the principal business activities of the Group comprise provision of finance lease and loan services and property investment; provision of the PPP Class 1 land development services; and management and operation of light-emitting diode ("**LED**") energy management contracts ("**EMC**") through its investments in joint ventures in the People's Republic of China (the "**PRC**").

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

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

OPERATIONAL REVIEW

(1) Gas Business

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

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

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

During the Year, the Group participated in the public tender process (listing-for-sale) conducted on Shanghai United Assets and Equity Exchange Co., Ltd.* (上海聯合產權交易所有限公司) ("**SUAEE**"), which is an open exchange platform for the trading of assets and equities, to dispose entire equity interest in Shanghai Shangju Enterprise Co., Ltd.* (上海商聚實業有限公司) and its subsidiaries (collectively referred to as "**Shanghai Shangju**"), which holding commercial properties located in Shanghai. For details, please refer to the circular of the Company dated 12 December 2019 and the announcements of the Company dated 14 November 2019, 31 December 2019 and 11 February 2020. The disposal of Shanghai Shangju recorded a gain of approximately HK$53.8 million and the Group can avoid the significant long-term operating burden of continuing to hold the properties. The proceeds from the disposal can also be used to repay some interest-bearing debts of the Group so as to improve the overall asset and liability state of the Group.

(3) PPP Class 1 Land Development Business

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

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

* *English translation for reference only.*

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

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

In recent years, the Group has managed to optimize asset allocation and reduce investment losses through the sale of gas businesses with unsatisfactory development prospects and properties that continue to record losses. Looking forward, the Group will continue to optimize its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the pandemic, the Group will support the development of the finance lease business of its subsidiary Zi Yu Tai 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 Putian Court in May 2018, aiming to request 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 in June 2020 to protect its interests, the Group will still try its best to restart the Project as soon as practicable.

FINANCIAL RESOURCES

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

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

STAFF BENEFITS

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

HUMAN RESOURCES

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group actively encouraged and subsidised staff to participate in job-related study, trainings and seminars as part of the welfare and incentive scheme. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan to their career development, which lays a solid foundation for sound and sustainable development of the Group.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had pledged certain finance lease receivables for bank borrowings granted.

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

References are made to the announcements of the Company dated 14 November 2019, 31 December 2019 and 11 February 2020, and the circular of the Company dated 12 December 2019 in relation to the disposal of 100% equity interest in Shanghai Shangju, by way of public tender through SUAEE.

On 4 February 2020, the Group entered into an equity transaction agreement with Hongshang Industry Holding Group Co., Ltd.* (鴻商產業控股集團有限公司) (as purchaser) in respect of the disposal of 100% equity interest in Shanghai Shangju and the credit right in the amount of Renminbi ("**RMB**") 337,000,000 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 were no longer consolidated into the financial statements of the Group.

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

FINANCE LEASE ARRANGEMENT

On 10 February 2020, Zi Yu Tai, a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company (as purchaser and lessor), Zhuhai Blue Ocean Strategy Medical Co., Ltd.* (珠海市藍海之略醫療股份有限公司) ("**Zhuhai Blue Ocean**"), a company established in the PRC with limited liability, (as supplier) and Zhongshan County Traditional Chinese Medicine Hospital* (鐘山縣中醫醫院) (the "**Hospital**"), which is the lessee under the finance lease arrangement (as lessee) entered into the finance lease arrangement pursuant to the supplemental equipment purchase agreement and the supplemental finance lease agreement whereby (i) Zi Yu Tai agreed to purchase the equipment from Zhuhai Blue Ocean, at the consideration of RMB11,000,000 (equivalent to approximately HK$12,210,000); and (ii) Zi Yu Tai agreed to lease and the said equipment to the Hospital for a term of 78 months, at a total lease payment in the amount of approximately RMB14,572,433 (equivalent to approximately HK$16,175,401) to be payable in 26 quarterly instalments. Details please refer to the announcement dated 10 February 2020.

BUSINESS UPDATE

On 23 and 25 March 2021, Zhejiang Yaohui Energy Saving Technology Co., Ltd.* (浙江曜輝節能科技有限公司), a subsidiary of the Company, entered into cooperation agreements in relation to the lighting intelligent transformation and upgrading of contract energy management projects with two large state-owned enterprises engaged in the provision of cargo handling services in Jiaxing and Ningbo, Zhejiang Province, both of which are independent third parties, respectively. Each cooperation agreement has a term of ten years from the date of project completion acceptance. Details please refer to the announcement dated 26 March 2021.

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION

The auditor of the Company issued qualified opinions in the independent auditor's report relating to the audit of the consolidated financial statements of the Group for the Year. In view of the qualified opinion, the Board would like to provide the following additional information.

* *English translation for reference only.*

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION (continued)

Details of the audit qualifications and management's position and basis on major judgmental areas

(1) Intangible assets and related deferred tax liabilities (the "First Qualification")

The intangible assets are recognised in respect of land development contracts in relation to the Project. While the related deferred tax liabilities are recognised for the taxable temporary differences in respect of intangible assets, at tax rate of 25%. The Project was suspended since November 2017 and impairment was provided on the intangible assets.

As discussed in the Chairman's Statement, the "Business Outlook" section and note 19 to the financial statements, the Group received a judgment dated 10 June 2020 issued by the Putian Court, which dismissed the petition made by the Group in relation to the Project. The Group then filed an appeal to the High People's Court in June 2020 to protect its interests. Due to the outcome of the appeal is uncertain, the auditor consider themselves did not obtain sufficient audit evidence to support the basis for the impairment. Therefore, the auditor were unable to satisfy themselves whether the impairment and the carrying amount of the intangible assets are free from material misstatement.

Any adjustment to the carrying amount to intangible assets and deferred tax liabilities would have potential impact on the reversal of impairment on intangible assets and corresponding deferred tax charged.

For the year ended 31 December 2019, the Group has engaged an independent professional valuer, Roma Appraisals Limited, for the valuation of the intangible assets. Income-based approach was adopted and based on certain assumptions including Fuqing Government will continue the execution of the Project. Based on the valuation report, the value in use of the intangible assets was approximately RMB201.0 million (equivalent to approximately HK$225.0 million) as at 31 December 2019.

For the Year, as mentioned above, the Group has received the judgement from Putian Court and filed an appeal in June 2020. In view of uncertainty of the appeal result, the management further provided impairment for the remaining value of the intangible assets of approximately HK$225.0 million. The related deferred tax liabilities recognised of approximately HK$56.3 million as at 31 December 2019 were then credited to profit or loss as there are no taxable temporary differences in respect of the fully impaired intangible assets.

(2) Contract costs (the "Second Qualification")

Contract cost represented capital expenditures incurred related to the Project. Land preparation works were done during the year 2014 to 2018 and the costs mainly included demolition compensation fees, survey fees and related construction costs. The auditor consider themselves were unable to satisfy whether the contract cost can be recovered in full and whether any impairment should be recognised for the Year or the year ended 31 December 2019.

Any adjustment to the carrying amount of the contact cost would have potential impact on the impairment loss on contract cost.

With reference to the Investment and Construction Cooperation Agreement (the "**Agreement**") between Fuqing Government (as Party A) and the Group (as Party B), clause 16.5.2 of the Agreement provides that "In the case of the termination or dissolution caused by the breach of contract or non-attributable to Party B, Party A shall pay Party B the amount of compensation for the actual investment, interest and construction costs that Party B has been paid in this project and in accordance with this Agreement.". The calculation criteria of financial expenses are calculated according to clause 6.2.3(5) of the Agreement, "The calculation rate of the financial expenses of construction costs, other costs of construction and construction land fees shall be calculated at 30% plus the benchmark interest rate of the People's Bank of China loans rate during the same period."

The Agreement was terminated by the Fuqing Government, according to clauses above, Fuqing Government shall compensate for the comprehensive cost of the Project and the corresponding financial expenses incurred. Thus, the management considered that the contract cost is fully recoverable and no impairment should be provided for the Year and the year ended 31 December 2019. However, the procedure to claim the contract cost is complicated and take time, the timing to recover the contract cost is uncertain.

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION (continued)

Details of the audit qualifications and management's position and basis on major judgmental areas (continued)

(3) Promissory note receivables (the "Third Qualification")

On 4 December 2015, Kingfun Investment Limited ("**Kingfun**") acquired 17.5% issued shares of Spotwin Investment Limited ("**Spotwin**") from Ontex Enterprises Limited ("**Ontex**"), an indirect non wholly-owned subsidiary of the Company. Spotwin is the holding company of those project companies of the Project. Kingfun issued the promissory note to Ontex to settle part of the considerations.

The promissory note was originally due on 15 June 2018, and a deed of replacement was entered and the maturity date was then extended to 15 June 2019. No repayments received or new deed of replacement was entered on the due date, an impairment loss of approximately HK$26.7 million was recognised during the year ended 31 December 2019.

The auditor consider themselves were unable to obtain sufficient audit evidence to assess the creditworthiness of the issuer of the promissory note. Therefore, the auditor were unable to satisfy themselves whether any provision should be made for any unrecoverable amounts for the Year or the year ended 31 December 2019.

Any adjustment to the carrying amount of the promissory note and related interest receivables would have potential impact on the provision/reversal of expected credit loss.

For the year ended 31 December 2019, the impairment loss of approximately HK$26.7 million was recognised, arising from the gross carrying amount of approximately HK$89.0 million at internal credit rating at doubtful level, with an average loss rate of 30%.

For the Year, the management have considered the promissory note was secured by the 17.5% of the issued share capital of Spotwin, its value mainly depend on continuation of the Project, which the result is uncertain depend on the progress and result of the appeal and negotiation with Fuqing Government. Besides, as at 31 December 2020, the Group has an outstanding loan from Kingfun of approximately HK$16.9 million. The management have considered above factors and concluded that 30% impairment provided on the gross carrying amount of approximately HK$89.0 million (i.e. approximately HK$26.7 million) is sufficient, and thus no further impairment provided for the Year.

(4) Trade receivables (the "Fourth Qualification")

The trade receivables were entirely related to sales of construction material to two customers in 2017 with gross amount of approximately RMB60.1 million as at 31 December 2017. The customers repaid RMB2.5 million, RMB1.8 million and RMB8.2 million during the Year, 2019 and 2018 respectively and the gross receivables amount as at 31 December 2020 was approximately RMB47.6 million (2019: approximately RMB50.1 million). The impairment provided was approximately RMB31.1 million as at 31 December 2020 and 2019 and the net receivables amount was approximately RMB16.5 million as at 31 December 2020 (2019: approximately RMB19.0 million).

The auditor consider themselves were unable to obtain sufficient audit evidence to assess the creditworthiness of the customers. Therefore, the auditor were unable to satisfy themselves whether any provision should be made for any unrecoverable amounts for the Year or the year ended 31 December 2019.

Any adjustment to the carrying amount of the trade receivables would have potential impact on the provision/reversal of expected credit loss.

The management monitors the repayment progress and the financial conditions of the outstanding customers on an ongoing basis. The customers have repaid part of the outstanding amounts during the Year and 2019 and they have agreed to repay the outstanding amounts within 2021, also the customers have signed the repayment schedules with the Group in March 2021. The management expects the outstanding trade receivables at 31 December 2020 will be recovered gradually and therefore no further expected credit losses was provided during the Year.

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION (continued)

The Audit Committee's view

The audit committee of the Company (the "**Audit Committee**") has carefully reviewed the basis of the qualified opinions and understood the auditor's concern and held the same view as the auditor. The Audit Committee has also reviewed the management's position above and agreed with such position addressing the issues.

The Group's plans to address and removal of the audit qualifications

(1) The First Qualification and Second Qualification

The Group continues to discuss with its PRC legal adviser in relation to the appeal, and will actively update the development to the auditor regarding the progress of the appeal. Besides, the Group is negotiating with the Fuqing Government on any other means to continue the Project. The Group so far has a good communication with Fuqing Government, however, government approval process may take time.

If the appeal has been concluded or any arrangement has been agreed with Fuqing Government before the audit work for the next year's annual report, the Board expects the First Qualification and Second Qualification on related issue can be removed for the year ending 31 December 2021.

(2) The Third Qualification

The management is in the progress of making assessments of possible solutions to recover the promissory note, depend on the result of the appeal and negotiation with Fuqing Government, including but not limited to, restart the negotiation with Kingfun to enter into repayment arrangements, take legal action, or exercise the right on the share charge over 17.5% of the issued share capital of Spotwin.

If the appeal has been concluded or any arrangement has been agreed with Fuqing Government and any arrangements have been agreed with Kingfun, before the audit work for the next year's annual report, the Board expects the Third Qualification on related issue can be removed for the year ending 31 December 2021.

(3) The Fourth Qualification

The Group has actively communicating with the debtors and has signed the repayment schedules with the debtors in March 2021 and the debtors have agreed to repay the outstanding amounts within 2021.

The Board will closely monitor the repayment progress and expects the Fourth Qualification on related issue can be removed for the year ending 31 December 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Hon Wai ("**Mr. Chan**"), aged 34, has been the chairman of the Board, an executive Director, chief executive officer and chairman of the nomination committee of the Company (the "**Nomination Committee**") since September 2020. Mr. Chan has more than 11 years of experience in corporate management and operational investment. He has extensive experience in the operation and management of domestic and overseas enterprises, and has participated in and managed a number of state-owned and privately-owned enterprises in industries including energy, mining, finance and aviation logistics. From November 2010 to January 2014, he served as the chairman of the board of directors of ChuangLi Resource Limited, a mining company in Southeast Asia. From February 2014 to January 2018, he severed as the general manager of Bayon Airlines Holding Limited, an aviation logistics company in Southeast Asia.

Mr. Chang Chien ("**Mr. Chang**"), aged 44, has been an executive Director and member of the remuneration committee of the Company (the "**Remuneration Committee**") since September 2020. Mr. Chang graduated from City University of Hong Kong with a bachelor of arts (honours) degree in public and social administrations. Mr. Chang currently serves as a director of Citychamp (Holdings) Limited* (冠城（集團）有限公司) and is responsible for managing the investment portfolio for the family office and overseeing the company's operations, business development and compliance related issues. Mr. Chang previously was a sales director for China Yinsheng International Securities Company Limited* (中國銀盛國際證券有限公司) ("**China Yinsheng**") where he supervised the sales team and assisted the company in business development strategy. He was also responsible for developing long-term business relationship with clients. Prior to joining China Yinsheng, Mr. Chang was a director of Shun Heng Securities* (信亨證券), where his managerial role covered business operation, risk management and institutional order execution. Mr. Chang is also a director of Citychamp Dartong Co. Ltd. (Shanghai Stock Exchange No. 600067). Mr. Chang is the son-in-law of Mr. Hon Kwok Lung, controlling shareholder of Sincere View International Limited, a substantial shareholder of the Company.

Mr. Lam Toi Man ("**Mr. Lam**"), aged 63, has been an executive Director and member of the Nomination Committee since September 2020. Mr. Lam has many years of experience in property development in Mainland China. Mr. Lam was the general manager of Zhejiang Huashun Real Estate Investment Co., Ltd.* (浙江華順房地產投資有限公司) and an executive director and the general manager of Hangzhou Yuanhua Mart Construction Co., Ltd.* (杭州元華商城建設有限公司). Mr. Lam is also an executive director of Citychamp Watch & Jewellery Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 256). Mr. Lam is the brother-in-law of Mr. Hon Kwok Lung, controlling shareholder of Sincere View International Limited, a substantial shareholder of the Company.

Mr. Tse Tin ("**Mr. Tse**"), aged 55, has been an executive Director and member of the Remuneration Committee since September 2020. Mr. Tse has graduated from Shantou University. Mr. Tse has been a director and general manager of Guangdong Zi Yu Tai Finance Leasing Company Limited* (廣東資雨泰融資租賃有限公司) since 2008, the chairman of the board of directors of Guangdong AVIC Tianxu Hengyuan Energy Saving Technology Co., Ltd.* (廣東中航天旭恒源節能科技有限公司) since 2013, and a director of AVIC Tianxu Hengyuan Energy Saving Technology Co., Ltd.* (中航天旭恒源節能科技有限公司) since 2015. Mr. Tse has extensive experience in investment and corporate management, and has an in-depth understanding of the domestic investment and financing environment and policy changes. He has successfully operated a number of investment projects and served clients, including state-owned enterprises, listed companies and outstanding private enterprises in various industries such as energy saving and environmental protection, government infrastructure, aviation logistics, healthcare education, waste disposal, emerging industries, manufacturing and other service industries.

* *English translation for reference only.*

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei ("**Mr. To**"), aged 54, has been an independent non-executive Director of the Company since September 2020. He is the chairman of each of the Audit Committee and Remuneration Committee and a member of Nomination Committee. Mr. To graduated from the University of Western Sydney with a bachelor degree in Business Administration in 1999 and received a master degree in Professional Accounting from the Hong Kong Polytechnic University in 2009. Mr. To is also a fellow member of the Hong Kong Institute of Certified Public Accountants. From 2004 to 2011, he was an independent non-executive Director, chairman of the audit committee and remuneration committee of China Development Bank International Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1062). Since October 2016, Mr. To has been appointed as an independent non-executive director of Ernest Borel Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1856). Moreover, Mr. To is currently the Hong Kong and Macau business partner of Beijing Central Finova Financial Services Co., Ltd. (北京中央金創金融服務股份有限公司).

Mr. Liu Jingwei ("**Mr. Liu**"), aged 54, has been an independent non-executive Director of the Company since September 2020. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liu graduated from the School of Economics of Beijing Forestry University in 1989 and from Shanghai Advanced Institute of Finance with a master degree in 2016. Mr. Liu is a PRC Certified Public Accountant. He currently serves as a senior partner of Shinewing Certified Public Accountants and is an external director of Shougang Group* (首鋼集團). Mr. Liu is also an independent non-executive director of China Nonferrous Mining Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1258), an independent non-executive director of Shoucheng Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 697), an independent director of Shanghai Yaohua Pilkington Glass Group Co., Ltd.* (上海耀皮玻璃集團股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600819), and an independent director of each of Guiyang Longmaster Information & Technology Co., Ltd.* (貴陽朗瑪信息技術股份有限公司) (stock code: 300288) and Beijing StarNeto Technology Co., Ltd.* (北京星網宇達科技股份有限公司) (stock code: 002829), both are listed on Shenzhen Stock Exchange.

Mr. Zheng Yanqing ("**Mr. Zheng**"), aged 42, has been an independent non-executive Director since September 2020. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Zheng is a lawyer with a bachelor's degree. He was a lawyer at the Shanghai Huaxia Huihong Law Firm* (上海華夏匯鴻律師事務所), the legal representative of Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.* (上海中能企業發展（集團）有限公司). He is currently a lawyer at Shanghai Taoguang Law Firm* (上海韜光律師事務所), a director of Ningxia Xinri Hengli Wire Rope Company Limited* (寧夏新日恒力鋼絲繩股份有限公司) and a director of Boya Stem Cell Technology Co.* (博雅幹細胞科技有限公司).

* *English translation for reference only.*

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 42 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2020 as well as discussion on the future business development, principal risks and uncertainties of the Group are provided in the Chairman's Statement on page 3, the Business Review – Management Discussion and Analysis on pages 4 to 9, and note 40 to the financial statements of this annual report (the "**Annual Report**" or "**this report**"). An analysis using financial key performance indicators can be found in the Business Review – Management Discussion and Analysis on pages 4 to 9 of the Annual Report. The above sections form part of this report.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations which have a significant impact on the Group and relationships with its key stakeholders are provided in the paragraphs below.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Stock Exchange introduced Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange which took effect in 2016. We have envisaged and adopted the ESG Reporting Guide in writing of the said report. Please refer to the Environmental, Social and Governance Report on pages 30 to 41 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it during the Year.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are regarded as the most valuable assets of the Group. The Group believes that the knowledge and expertise of our employees are crucial to the long-term success of the Group. To assist our staff to develop their potential, enhance their job competence and continue the Group's development, the Group actively encouraged and subsidised staff to participate in external job-related courses and seminars.

The Group will strive to maintain a long-term good relationship with all stakeholders such as shareholders, suppliers, business partners and professional bodies in the future development of the Group's business.

RESULTS AND DIVIDEND

The Group's results for the Year and the Group's financial position as at 31 December 2020 are set out in the financial statements on pages 45 to 48 of this report.

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 126 of this report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the Year are set out in notes 33 and 34 to the financial statements, respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group are set out in note 31 to the financial statements.

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

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

References are made to the announcements of the Company dated 3 November 2016, 17 November 2016 and 31 December 2018 in relation to the placing of the convertible notes to six individual noteholders in the aggregate principal amount of HK$140,000,000 (the "**Convertible Notes**").

On or prior to 31 December 2018, the Company redeemed from two out of the six noteholders their Convertible Notes in the aggregate principal amount of HK$56,000,000. On 27 March 2020, the Company repaid HK$23,520,000 (representing 28% of the outstanding principal amount of HK$84,000,000 of the Convertible Notes) in aggregate to the remaining four noteholders. On 10 December 2020, the Company repaid HK$35,433,000 to the remaining noteholders. The Company is currently in the course of negotiating with the remaining four noteholders on the repayment schedule of the outstanding principal amount of the Convertible Notes and accrued interest. Please refer to the Company's announcements dated 27 March 2020 and 21 April 2020 for details.

SHARES ISSUED

As at 31 December 2020, the total number of issued shares of the Company (the "**Shares**") was 5,943,745,741. As compared with the position as at 31 December 2019, no new Shares were issued during the Year.

EQUITY-LINKED AGREEMENTS

The Company currently maintains the share option scheme as disclosed under the section headed "Share Option Scheme" in this report.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no reserves available for distribution in accordance with the provisions of section 297 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**").

MAJOR CUSTOMERS

During the Year, sales to the Group's five largest customers accounted for 86.06% of the total sales for the Year and sales to the largest customer included therein amounted to 41.64%.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Chan Hon Wai *(Chairman and Chief Executive Officer) (appointed with effect from 18 September 2020)*
Wu Xiaodong *(Chairman and Chief Executive Officer) (appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020)*
Chang Chien *(appointed with effect from 18 September 2020)*
Lam Toi Man *(appointed with effect from 18 September 2020)*
Tse Tin *(appointed with effect from 18 September 2020)*
Zhang Zhibiao *(resigned with effect from 18 September 2020)*
Wang Ying *(resigned with effect from 18 September 2020)*
Mu Yan *(resigned with effect from 18 September 2020)*

Independence Non-executive Directors

To Chun Kei *(appointed with effect from 18 September 2020)*
Liu Jingwei *(appointed with effect from 18 September 2020)*
Zheng Yanqing *(appointed with effect from 18 September 2020)*
Jiang Ping *(resigned with effect from 18 September 2020)*
Wu Rui *(resigned with effect from 18 September 2020)*
Guo Wei *(resigned with effect from 18 September 2020)*

A full list of the names of the directors of the Company's subsidiaries can be found on the Company's website at www.avicjoyhk.com under "Corporate Governance".

According to Article 86(B) of the articles of association ("**Articles of Association**"), any Director appointed to fill a casual vacancy or as an additional Director, shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election.

The terms of office of all Directors (including independent non-executive Directors) are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Articles of Association.

In accordance with Article 86(B) of the Articles of Association, Mr. Chan Hon Wai, Mr. Chang Chien, Mr. Lam Toi Man, Mr. Tse Tin, Mr. To Chun Kei, Mr. Liu Jingwei and Mr. Zheng Yanqing will retire from office, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("**AGM**"). The terms of office of all Directors (including independent non-executive Directors) are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Articles of Association.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence and as at the date of this report, the Company still considers them to be independent in accordance with the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 10 to 11 of the Annual Report. Mr. Chan Hon Wai, the chairman of the Board and the chief executive officer of the Company, is the senior management of the Group.

CHANGES IN INFORMATION OF DIRECTORS

Save for changes in the biographical details of the Directors, there was no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' emoluments are determined by the Remuneration Committee with reference to Directors' duties, responsibilities, performance, the Company's remuneration policy and the results of the Group pursuant to the power conferred on it at the Company's general meetings.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the Annual Report, none of the Directors or any of their connected entity had, directly or indirectly, a material interest, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party subsisted at any time during the Year or at the end of the Year.

PERMITTED INDEMNITY PROVISION

Subject to the provisions of and so far as may be consistent with the statutes, every Director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her in the execution and/or discharge of his/her duties and/or the exercise of his/her powers and/or otherwise in relation thereto. Subject to the applicable laws and the Articles of Association, the Company has taken out and maintained Directors' liability insurance, throughout the Year, against the liability and costs associated with legal actions against the Directors arising out of corporate activities, and the level of the coverage is reviewed annually. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, none of the Directors or the chief executive of the Company had 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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

At the AGM 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. Further details of the Share Option Scheme are disclosed in note 34 to the financial statements.

Movements in the Company's outstanding share options granted under the Expired Share Option Scheme, which shall continue to be valid and exercisable, during the Year were as follows:

Name or category of participant	At 1 January 2020	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	At 31 December 2020	Date of grant[1]	Exercise period	Exercise price per share[2] HK$
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 vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. 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.

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 Year or at the end of the Year.

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

As at 31 December 2020, the interests and short positions of the substantial shareholders 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	Note	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued Shares
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%

Note:

(a) Mr. Hon holds 80% 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. Mr. Hon and his wife Ms. Lam are deemed to have an interest in the same parcel of 1,596,428,891 Shares.

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 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 holds 80% 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, spouse of Mr. Hon, is deemed to be interested in 1,596,428,891 Shares in which Mr. Hon is interested. Details please refer to announcement dated 15 September 2020.

Save as disclosed above, as at 31 December 2020, so far as known to any Director or the chief executive of the Company, no substantial shareholders or other persons, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying shares" above, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued Shares were held by the public as at the date of this report.

CONNECTED TRANSACTION

During the Year, the Group did not enter any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

The Directors consider that all the related party transactions disclosed in note 37 to the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

* *English translation for reference only.*

AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") has resigned as the auditor of the Company with effect from 15 January 2021 and, with the recommendation from the audit committee of the Company, the Board has appointed ZHONGHUI ANDA CPA Limited as the new auditor of the Company with effect from 18 January 2021 to fill the causal vacancy following the resignation of Deloitte and to hold office until the conclusion of the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint ZHONGHUI ANDA CPA Limited as the auditor of the Company.

ON BEHALF OF THE BOARD

Chan Hon Wai
Chairman, Executive Director and Chief Executive Officer

Hong Kong
30 March 2021

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.

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

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

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

(ii) code provision A.4.1 of the CG Code stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive Directors were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with Articles of Association; and

(iii) code provision D.1.4 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Company by Directors and relevant employees of the Group who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company's securities. The Directors and such relevant employees are required to strictly comply with the Model Code when dealing in the securities of the Company. Following specific enquiry made by the Company, all the Directors and such relevant employees confirmed that they had complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprised seven Directors, with four executive Directors (the "**Executive Directors**") and three independent non-executive Directors ("**INEDs**"). The Directors during the Year and up to the date of this report are set out as follows:

Executive Directors:	Chan Hon Wai *(Chairman and Chief Executive Officer)* *(appointed with effect from 18 September 2020)*
	Wu Xiaodong *(Chairman and Chief Executive Officer)* *(appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020)*
	Chang Chien *(appointed with effect from 18 September 2020)*
	Lam Toi Man *(appointed with effect from 18 September 2020)*
	Tse Tin *(appointed with effect from 18 September 2020)*
	Zhang Zhibiao *(resigned with effect from 18 September 2020)*
	Wang Ying *(resigned with effect from 18 September 2020)*
	Mu Yan *(resigned with effect from 18 September 2020)*
INEDs:	To Chun Kei *(appointed with effect from 18 September 2020)*
	Liu Jingwei *(appointed with effect from 18 September 2020)*
	Zheng Yanqing *(appointed with effect from 18 September 2020)*
	Jiang Ping *(resigned with effect from 18 September 2020)*
	Wu Rui *(resigned with effect from 18 September 2020)*
	Guo Wei *(resigned with effect from 18 September 2020)*

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 10 to 11 of the Annual Report. The Directors have no financial, business, family or other material/relevant relationships with each other.

Duties of the Board

The main responsibilities of the Board include determining overall strategic planning, policy formulation, business and investment plans, risk management and internal control systems and reviewing the effectiveness of such systems, monitoring financial and project budget, and developing, reviewing and monitoring corporate governance policies and matters.

Corporate Governance Functions and Duties

The Board is responsible for performing the corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any changes and updating to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this report.

During the Year, the corporate governance duties performed by the Board were summarised as follows:

(a) reviewed the Company's corporate governance policies and practices;

(b) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewed the Company's compliance with the CG Code and disclosure in this report;

(d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and

(e) reviewed the code of conduct and compliance manual applicable to employees of the Group and the Directors.

Management Functions

Implementation of the decisions and plans of the Board and direction of the day-to-day operation are delegated to the management. The respective functions of the Board and the management of the Company have been formalised and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations. All members of the Board are provided with monthly updates giving a balanced and understandable assessment of the performance, position and prospect of the Group.

Board Meetings

The Board meets regularly to discuss the overall strategy of the Group and to review and approve the Group's annual and interim results and other matters which need to be dealt with. At least 14 days' notice of all regular Board meetings is normally given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of each regular Board meeting or Board committee meeting. The Company Secretary is responsible for keeping minutes of the Board and Board committee meetings.

Board Meetings (continued)

During the Year, ten Board meetings were held and the attendance records of each Director at the Board meetings, Board committee meetings and general meetings are set out below:

	Number of meetings attended/held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Chan Hon Wai *(Chairman and Chief Executive Officer) (appointed with effect from 18 September 2020)*	2/10			0/2	0/1
Mr. Wu Xiaodong *(Chairman and Chief Executive Officer) (appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020)*	6/10				1/1
Mr. Chang Chien *(appointed with effect from 18 September 2020)*	3/10		0/2		0/1
Mr. Lam Toi Man *(appointed with effect from 18 September 2020)*	3/10			0/2	0/1
Mr. Tse Tin *(appointed with effect from 18 September 2020)*	2/10		0/2		0/1
Mr. Zhang Zhibiao *(resigned with effect from 18 September 2020)*	7/10				0/1
Ms. Wang Ying *(resigned with effect from 18 September 2020)*	7/10				1/1
Ms. Mu Yan *(resigned with effect from 18 September 2020)*	7/10				1/1
INEDs					
Mr. To Chun Kei *(appointed with effect from 18 September 2020)*	2/10	0/2	0/2	0/2	0/1
Mr. Liu Jingwei *(appointed with effect from 18 September 2020)*	2/10	0/2	0/2	0/2	0/1
Mr. Zheng Yanqing *(appointed with effect from 18 September 2020)*	2/10	0/2	0/2	0/2	0/1
Mr. Jiang Ping *(resigned with effect from 18 September 2020)*	6/10	2/2	2/2	2/2	1/1
Ms. Wu Rui *(resigned with effect from 18 September 2020)*	7/10	2/2	2/2	2/2	1/1
Mr. Guo Wei *(resigned with effect from 18 September 2020)*	7/10	2/2	2/2	2/2	1/1

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by the Board at a duly convened Board meeting.

Every Director is entitled to have access to Board papers and related materials, and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. Where queries are raised by Directors, prompt and full responses will be given if possible. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Each Director has the liberty to seek independent professional advice at the Company's expense if so reasonably required. The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the extent of such insurance every year.

INEDs

As of 31 December 2020 and up to the date of this report, the number of Directors was seven, of which three Directors were INEDs, representing more than one-third of the Board.

The Board has received from each INED an annual confirmation of independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors have participated in continuous professional development by attending seminars or programs or studying relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the Year is summarised as follows:

Name of Directors	Participation in Continuous Professional Development Activities: Attending trainings/ briefings/seminars/ conference	Reading regulatory updates
Executive Directors		
Chan Hon Wai *(appointed with effect from 18 September 2020)*	√	√
Wu Xiaodong *(appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020)*	√	√
Chang Chien *(appointed with effect from 18 September 2020)*	√	√
Lam Toi Man *(appointed with effect from 18 September 2020)*	√	√
Tse Tin *(appointed with effect from 18 September 2020)*	√	√
Zhang Zhibiao *(resigned with effect from 18 September 2020)*	√	√
Wang Ying *(resigned with effect from 18 September 2020)*	√	√
Mu Yan *(resigned with effect from 18 September 2020)*	√	√
INEDs		
To Chun Kei *(appointed with effect from 18 September 2020)*	√	√
Liu Jingwei *(appointed with effect from 18 September 2020)*	√	√
Zheng Yanqing *(appointed with effect from 18 September 2020)*	√	√
Jiang Ping *(resigned with effect from 18 September 2020)*	√	√
Wu Rui *(resigned with effect from 18 September 2020)*	√	√
Guo Wei *(resigned with effect from 18 September 2020)*	√	√

Appointment and Re-election of Directors

During the Year, the non-executive Directors provided the Group with a wide range of expertise and experience as well as checks and balance in achieving agreed corporate goals and objectives and monitoring performance reporting by their participation in the Board and Board committee meetings with independent judgment on issues relating to the Group's strategy, policy, performance, accountability, resources, key appointments and management process.

The Company did not have formal letters of appointment for Directors. Directors shall be subject to retirement by rotation and eligible for re-election at least once every three years pursuant to the Articles of Association. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

Appointment and Re-election of Directors (continued)

In accordance with the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Every retiring Director shall be eligible for re-election. As such, no Director has a term of appointment longer than three years.

Further, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting whilst for those appointed as an addition to the Board shall hold office until the next following AGM and in both cases, those Directors shall then be eligible for re-election at the relevant general meeting.

Every newly appointed Director will receive an induction pack from the legal advisor of the Company on the first occasion of his/her appointment. This induction pack is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Board considers that the deviation from code provision A.2.1 of the CG Code 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 roles of chief executive officer and chairman of the Board. Appointment will be made to comply with code provision A.2.1 of the CG Code if necessary.

BOARD COMMITTEES

The Company has established three Board committees (the "**Board Committees**"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has its specific written terms of reference, to assist the Board Committees in discharging their duties and responsibilities. Minutes of all meetings and resolutions of the Board Committees, which are kept by the Company Secretary, are circulated to all the Board Committees' members and the Board Committees are required to report back to the Board on their decisions and recommendations, where appropriate. The Board Committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably requested.

Audit Committee

In order to comply with the CG Code, the Board revised the terms of reference of the Audit Committee on 31 December 2018. During the Year, the Audit Committee comprised three INEDs, namely, Mr. To Chun Kei (chairman of the Audit Committee), Mr. Liu Jingwei and Mr. Zheng Yanqing. During the Year, the number of members of the Audit Committee is three, the Company has complied with Rule 3.21 of the Listing Rules. The Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year. During the Year, two meetings of the Audit Committee were held and attended by the external auditors of the Company. The attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

Audit Committee (continued)

The primary duties of the Audit Committee include acting as the key representative body for overseeing the relationship with the external auditors; reviewing and monitoring the effectiveness of the audit process; reviewing the Group's financial information; and overseeing the Group's financial reporting system and risk management and internal control systems. The latest terms of reference of the Audit Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

During the Year, the Audit Committee has reviewed and discussed the financial reporting matters, including:

(i) reviewed and recommended for the Board's approval the interim and annual results, the interim report and annual report and other financial statements;

(ii) considered and discussed the reports and presentations from the external auditors and the senior management, respectively, with particular focus on the appropriateness of accounting policies and practices, areas of judgment, compliance with the Hong Kong Financial Reporting Standards and other legal requirements in relation to financial reporting;

(iii) recommended to the Board on the appointment and re-appointment of the external auditors and the relevant terms of engagement, including their remuneration;

(iv) reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function for the Year which covered financial, operational and compliance controls. The process used in such review included discussions with the management of the Company on the risk areas identified and the review of findings and reports from an independent professional advisor. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate for the Year; and

(v) reviewed and was satisfied with the adequacy of the resources, staff qualification and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions.

Remuneration Committee

During the Year, the Remuneration Committee comprised five members, namely, Mr. To Chun Kei (chairman of the Remuneration Committee), Mr. Chang Chien, Mr. Tse Tin, Mr. Liu Jingwei and Mr. Zheng Yanqing.

The Remuneration Committee shall meet at least once a year. During the Year, two meetings of the Remuneration Committee was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in note 12 to the financial statements. The Remuneration Committee adopted the model "to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management".

The primary duties of the Remuneration Committee include to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, to review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment, to make recommendations to the Board on the remuneration of non-executive Directors. The latest terms of reference of the Remuneration Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

During the Year, the Remuneration Committee reviewed and recommended to the Board on the existing policies and structure of the remuneration of the Directors and senior management of the Group; reviewed and approved the remuneration packages of the Directors and senior management of the Group with reference to the Company's complexity and its size as well as individual performances; and reviewed and made recommendation to the Board on the remuneration of INEDs.

Nomination Committee

In order to comply with the CG Code, the Board revised the terms of reference of the Nomination Committee on 31 December 2018. During the Year, the Nomination Committee comprised five members, namely, Mr. Chan Hon Wai (chairman of the Nomination Committee), Mr. Lam Toi Man, Mr. To Chun Kei, Mr. Liu Jingwei and Mr. Zheng Yanqing.

The Nomination Committee shall meet at least once a year. During the Year, two meetings of the Nomination Committee was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

The primary duties of the Nomination Committee include to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board at least annually, to identify, screen and recommend to the Board appropriate individuals to serve as Directors, to assess the independence of INEDs, to make recommendations to the Board on the appointment or re-appointment of Directors, to review the Board diversity policy and to monitor its implementation, to review the time commitment required of Directors and evaluate whether Directors have committed adequate time to discharge their liabilities, and to review and implement the nomination policy at least once a year. The latest terms of reference of the Nomination Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

During the Year, the Nomination Committee has reviewed the structure, size, composition and diversity of the Board including the skills, knowledge and experience of the Directors, made recommendations to the Board on the re-election of retiring Directors, assessed the independence of INEDs and reviewed the Board diversity policy.

In designing the Board's composition, the Nomination Committee would consider the Board diversity from a number of factors, including but not limited to gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on the Company's business model and specific needs from time to time. Directors' appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board.

Dividend Policy

The Board has adopted a dividend policy (the "**Dividend Policy**") on 31 December 2018 in recommending dividends, to allow the shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth. The Dividend Policy allows the Company to declare special dividends from time to time in addition to interim and/or final dividends.

The proposed dividend payout shall be determined with reference to the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, retained earnings and distributable reserves of the Company and each of the members of the Group, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company, the shareholders' and investors' expectation and industry's norm and any other factors that the Board deems appropriate.

Nomination Policy

The Board has adopted a nomination policy on 31 December 2018 in relation to the nomination, appointment, re-appointment of Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and/or Board Committee(s) of the Company, any potential contributions the candidate can bring to the Board and such other perspectives that are appropriate to the Company's business.

Board Diversity Policy

The Board revised the Board diversity policy on 31 December 2018 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversified perspectives with reference to gender, age, cultural and educational background, professional qualifications and experience, skills, knowledge, industry and regional experience and length of service.

The above measurements were also adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group in accordance with the relevant statutory requirements and applicable accounting standards. Except from the conditions disclosed in note 2 to the financial statements, the Directors are not aware of any other events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements are prepared on a going concern basis, after taking into consideration the various measures set out in note 2 to the financial statements.

The responsibilities of the auditors with respect to the financial statements are set out in the Independent Auditor's Report annexing in the Annual Report.

The Company has published its annual and interim results, in accordance with the requirements of the Listing Rules and other relevant regulations, in a timely manner within three months and two months respectively after the end of the relevant periods.

Risk Management and Internal Control

The Board is directly responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board conducts reviews of the effectiveness of those systems at least annually through the Audit Committee that covers all material controls in financial, operational and compliance.

The Board has adopted a risk management policy in providing directions in identifying, evaluating and managing significant risks. Pursuant to such policy, the management of the Company can identify risks that might adversely affect the achievement of the Group's objectives, and assess and prioritize the identified risks, risk mitigation plans will then be established to respond to the those risks considered to be significant.

An independent professional advisor, Crowe (HK) Risk Advisory Limited has been engaged to assist the Board and the Audit Committee to assess the risk management and internal control systems of the Group and perform the internal audit functions for the Group. From which, deficiencies in the design and implementation of internal controls will be identified and recommendations will be proposed for improvement. Such report will be submitted to the Audit Committee and the Board at least once a year.

Risk Management and Internal Control (continued)

The Board through the Audit Committee conducted an annual review and assessment on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to the Group's ability to respond to changes in its business and external environment in terms of significant risks; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and results of internal audit work; the extent and frequency of communication of monitoring results to the Board in relation to result of risk and internal control review; significant control failing or weakness having been identified and their related implications; and status of compliance with the Listing Rules. The Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the Year.

The Board through the Audit Committee had reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as the qualifications and experience of the outsourced internal auditors.

The Company has formulated the inside information policy and that is reviewed at least once a year to ensure its update with the latest regulatory requirements. Pursuant to such policy, the Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. The Group ensures that such information is kept strictly confidential before it is fully disclosed to the public.

Auditors' Remuneration

During the Year, the fees paid/payable to the Company's external auditors (including Deloitte and ZHONGHUI ANDA CPA Limited) in respect of the audit and non-audit services were as follows:

Services rendered for the Group	**HK$'000**
Audit services	1,100
Non-audit services *(including review of interim results and financial consultation)*	1,086
	2,186

COMPANY SECRETARY

The Company engages external service providers to provide company secretarial services and has appointed Mr. Ng Yu Ho ("**Mr. Ng**") as the Company Secretary with effect from 1 June 2019. Mr. Ng is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and fulfilled the requirements under Rule 3.28 of the Listing Rules. He undertook not less than 15 hours of relevant professional training during the Year as required under Rule 3.29 of the Listing Rules. The Company Secretary provided advices to the Board to ensure that the Board procedures and all applicable laws are followed. Mr. Ng is not an employee of the Group and Mr. Wu Xiaodong, the former chairman of the Board and Mr. Chan Hon Wai, the chairman of the Board, is the person whom Mr. Ng can contact for the purpose of code provision F.1.1 of the CG Code.

COMMUNICATION WITH THE SHAREHOLDERS

The Board recognises the importance of good communication with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees (as appropriate) to attend the AGM. In their absence, he should invite another member of the committee or, failing this, his/her duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

COMMUNICATION WITH THE SHAREHOLDERS (continued)

Separate resolutions are proposed at the general meeting for each substantial issue, including the re-election of retiring Directors.

The notice to the shareholders is to be sent at least 20 clear business days before an AGM and at least 10 clear business days before a meeting other than an AGM. An explanation of the detailed procedures of conducting a poll is provided to the shareholders at the commencement of the meeting. The chairman of the general meeting answers questions from the shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene General Meeting

Pursuant to section 566 of the Companies Ordinance, the shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings as at the date of deposit of the requisition can deposit a written request to convene an a general meeting (the "**GM**") at the registered office of the Company (the "**Registered Office**") for the attention of the Company Secretary (the "**Requisition**").

Such Requisition must state the general nature of the business to be dealt with at the GM and must be authenticated by the person or persons making it.

If the Directors do not within 21 days from the date of the deposit of the Requisition proceed duly to convene a GM to be held on a date not more than 28 days after the date of the notice convening the GM, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a GM in the same manner, as nearly as possible, as that in which the GM is required to be called by the Directors, provided it is held within three months of the date of the deposit of the Requisition.

Shareholders' Right to Put Enquiries to the Board

The Board has established a shareholders' communication policy and reviews it at least once a year. Shareholders should direct any questions about their shareholdings to the Company's share registrar, Tricor Tengis Limited.

Shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Registered Office.

If a shareholder wishes to make an enquiry of the Board (the "**Enquiry**"), the Enquiry must be served at the Registered Office for the attention of the Board and set out in writing, stating the nature of the Enquiry, and the reason for making the Enquiry.

Shareholders' Right to Put Forward Proposals at General Meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests to do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. All requests shall be sent to the Registered Office for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

The Articles of Association (in both English and Chinese) is available on the websites of the Stock Exchange and the Company. During the Year, there has been no change to the Articles of Association.

I. ABOUT THIS REPORT

The board of directors (the "**Board**") of AVIC Joy Holdings (HK) Limited (the "**Company**") is pleased to present this Environmental, Social and Governance (hereinafter called "**ESG**") Report (the "**Report**") of the Company and its subsidiaries (collectively as the "**Group**" or "**we**"). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the environmental and sustainable development strategies, policies and performance of the Group's business in the provision of finance lease and loan services[Note 1] for the year ended 31 December 2020. The Report discloses the required information under the "comply or explain" provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**"). The relevant provisions and details are listed out at the end of the Report.

The Board is responsible for the Group's ESG strategy formulation and reporting, evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel have discussed internally and identified the environmental, social and operating items, and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out in this report.

II. STAKEHOLDERS' ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. The Group maintains a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, community, etc. and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its environmental, social and governance risks, and ensures that the relevant risk management measures and internal control systems are operating effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Communication channels	Management response
Government/regulatory organizations	➢ Compliance in laws and regulations ➢ Fulfill tax obligation ➢ Timely and accurate announcements ➢ Joint anti-epidemic	➢ Periodic report/interim announcement ➢ Correspondence	➢ Uphold integrity and compliance in operations ➢ Pay tax on time, and in return contributing to the society ➢ Establish comprehensive and effective internal control system

Note 1: The Group has disposed of its gas business and property investment business in July 2019 and February 2020 respectively, and hence this report does not cover these two businesses.

II. STAKEHOLDERS' ENGAGEMENT (continued)

Stakeholders	Expectations and concerns	Communication channels	Management response
Shareholders/investors	➢ Return on investment ➢ Business strategies and performance ➢ Information transparency ➢ Corporate governance system	➢ Information disclosed on the HKEX website ➢ Annual general meeting and other shareholders' meetings	➢ Ensure satisfactory financial performance, business growth and a strong competitive position within the industry ➢ Set up comprehensive business strategic plan for achieving business goals and objectives ➢ Management possesses relevant experience and professional knowledge in business sustainability ➢ Ensure transparent and effective communications by dispatching information on websites of HKEX and the Company ➢ Continue to improve the internal control system and focus on risk management
Employees	➢ Labor rights ➢ Career development ➢ Compensation and welfare ➢ Health and workplace safety ➢ Joint anti-epidemic	➢ Employee performance evaluation ➢ Internal meetings and announcements ➢ Contact via email, phone and communication applications	➢ Establish fair, reasonable and competitive remuneration scheme ➢ Provide equal opportunities in promotion, training and career development ➢ Pay attention to occupational health and workplace safety ➢ Set up contractual obligations to protect labor rights ➢ Provide epidemic prevention supplies (such as masks and alcohol sanitizers)
Customers	➢ High quality services ➢ Corporate reputation ➢ Reasonable price	➢ Contact via email, communication applications and phone call	➢ Improve the quality of services continuously in order to maintain customer satisfaction ➢ Provide variety of value-added services ➢ Ensure proper contractual obligations are in place
Community	➢ Environmental protection ➢ Community contribution ➢ Economic development ➢ Corporate reputation ➢ Joint anti-epidemic	➢ Information publicity website of government department ➢ Community activities	➢ Pay attention to climate change ➢ Encourage employees to actively participate in charitable activities and voluntary services ➢ Maintain good and stable financial performance and business growth ➢ Respond to government's appeal of implementing various epidemic prevention and control measures

III. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders	Low	Medium	High
High	◆ Anti-discrimination	◆ Staff training and promotion opportunity ➢ Operational compliance	➢ Customers' satisfaction ➢ Service quality ➢ Anti-epidemic ◆ Talent management
Medium	➢ Community contribution ◆ Preventing child and forced labor ◆ Protecting labor rights	➢ Greenhouse gas emissions ➢ Use of resources ➢ Water resources utilization	◆ Staff compensation and welfare ◆ Occupational health and workplace safety ✧ Exhaust air emissions
Low	➢ Sewage discharge ➢ Generation of hazardous wastes	➢ Energy conservation ➢ Generation of non-hazardous wastes	➢ Anti-corruption ➢ Protecting client's privacy

Importance to the Group

✧ Environmental ◆ Employee ➢ Operation

IV. ENVIRONMENTAL PROTECTION

The Group strictly follows the environmental policy in energy saving and carbon reduction, and compliance with laws and regulations in response to the global environmental protection trends and to fulfill its social responsibilities. The Group promotes energy conservation, reduce emission of pollutants and mitigate environmental risks through various measures and actions (Please refer to the "Management of Emissions" and "Management of Resources Utilization" sections below for details), including compliance of the applicable laws and regulations, ensuring efficient use of energy, water and other resources during operations, adopting various measures to raise staff awareness in environmental protection, and management monitoring of the implementation of environmental policies. We are working in a way to enable all levels of our employees to realize their impact on the environment, and to strike a balance between simultaneous development of stable business growth and implementation of environmental protection measures, so as to reduce the adverse effects on the environment brought by the enterprise's business activities and the employees' personal life.

IV. ENVIRONMENTAL PROTECTION (continued)

1. Management of Emissions

The Group engages in provision of finance lease and loan services. It mainly operates these businesses in office setting and did not involve in any production activities. Therefore, no packaging materials is used nor any hazardous waste is produced. Our impact on the environment mainly comes from the use of energy, generation of office and domestic wastes, and discharge of domestic wastewater. We also understand that energy consumption and greenhouse gas emission are closely related and thus we undertake various energy saving measures to reduce energy consumption and to enhance energy efficiency. Waste management mainly involves domestic garbage and collection of waste paper for recycling. Please refer to the "Management of Resources Utilization" section below for details.

Compliance

During the reporting period, the Group did not involve in any confirmed violations that are related to emissions that have a significant impact on the Group.

2. Management of Resources Utilization

In order to comply with the applicable laws and regulations, the Group carefully manages the use of resources and is committed to ensuring that all resources are used in an efficient and prudent manner. We continually seek to identify and reduce environmental impacts attributable to our operational activities, demand our employees to focus on energy conservation and to follow our environmental policies and measures so that resources can be utilized to the fullest extent and to avoid any wastage.

Conservation of Energy

Conservation of Gasoline

Gasoline is mainly used in vehicles for business purpose. Employees have to plan their routes in advance before departure to shorten the driving distance and to reduce the consumption of gasoline. We carry out regular repairs and maintenance on vehicles for better energy use efficiency, and to reduce fuel consumption and waste gas emissions due to part failure. We also encourage employees to use public transport to reduce the use of vehicles. The Group has disposed of its gas business and property investment business in July 2019 and February 2020 respectively, and Hong Kong office has sold its only car at the beginning of the year, and led to a great drop of gasoline consumption of the Group by approximately 4,225.46 liters or 31.21% as compared with the previous year. The Group has consumed approximately a total of 9,313.06 liters of gasoline during the year.

Conservation of Electricity

The Group consumes electricity mainly in offices. We set up a series of measures to save electricity and to improve the energy use efficiency for electrical appliances, and to educate employees on the relationship between energy use and sustainability of the planet, and to raise their awareness of conservation so that they can build good habit in use of electricity. For example, we use energy-efficient equipment and strictly control the temperature and duration of use of air-conditioners. Electrical equipment, including lighting, air-conditioners, computers, personal electronic devices and common office equipment, etc. are turned on according to actual need during office hours, and staff are encouraged to switch off the equipment when it is not in use and also after work. Employees have to strictly follow the manual to operate electrical equipment properly in order to keep them in good condition and to use electricity effectively. We also pay attention to the maintenance of electrical equipment. Employees must report to the responsible department immediately for repair to avoid any electricity wastage in case of any abnormality found. The Group disposed of its gas business and property investment business in July 2019 and February 2020 respectively, and Hong Kong company moved to a smaller office due to the drop in the number of employees. Therefore, the Group's electricity consumption greatly decreased by approximately 556.22 megawatt hours or 97.43% as compared with the previous year, and the total electricity consumed during the year is approximately 14.65 megawatt hours.

IV. ENVIRONMENTAL PROTECTION (continued)

2. Management of Resources Utilization (continued)

Conservation of Water

Water consumption of the Group are mainly water used in sanitary being supplied and managed by the property management company. During the reporting period, although the Group did not encounter any water supply problem, the Group still shoulders the responsibility of environmental protection and sustainable development. The Group educates its employees to build good water usage habits, reminds employees to control water flow from tap at low level and turns off water tap when not in use. The Group also constantly reminds employees of their water use habits may bring negative impact to the environment; so as to encourage employees to establish a correct water use concept. The Group disposed of its gas business and property investment business in July 2019 and February 2020 respectively, and the water charges of offices of other businesses are included in the rent and the landlord did not provide relevant water consumption data. Therefore, the Group did not disclose the water consumption data during the reporting period.

Conservation of Paper

The Group promotes green office policy and encourages employees to save paper and to avoid wastage. We also distribute information and documents in electronic format to minimize photocopying and printing. We also fully utilize paper by reusing one-sided used papers, collect double-sided waste papers and put them into collection boxes and arrange recycling by recycling companies. The Group has used papers certified by Forest Stewardship Council (the "**FSC-Certified Paper**") for printing financial reports since 2015. FSC-Certified Paper is made from forests managed in an environmentally appropriate, socially beneficial and economically viable manner.

3. The Environment and Natural Resources

The Group has always been focusing on protecting the environment and hope that everyone can contribute and work together to build a livable society. In order to let everyone of the Group has better understanding of the impact of our personal and business activities on the environment, we continue to adopt various policies, measures, and actions in reducing carbon footprint (Please refer to "Management of Emissions" and "Management of Resources Utilization" above for details).

The Group will continue to revisit and identify the sources of wastes produced in operations, to evaluate the impacts on the environment for use of resources, so as to establish and implement effective measures including promotion of energy conservation and emission reduction, extensive use of energy-saving products, and the best use of office resources to minimize our carbon footprint. We constantly enhance our employees' awareness in environmental protection and resource conservation, and to fulfill our social responsibilities and obligations in the process of conducting and developing our business, so as to achieve coordinated development of the Group, the society and also the environment together.

V. EMPLOYMENT AND LABOR PRACTICES

Employees are our most valuable assets and key driver for the Group's sustainable and long-term business development. We are committed to create a discrimination-free, equal, harmonious and safe workplace; to build relationships with mutual-respect; to encourage our employees to be innovative, flexible and committed when dealing with our customers and to provide high quality services. We also offer promotion opportunities to attract, develop, retain and reward our talented staff and provide commensurate remuneration and benefits.

Talent Selection

The Group employs staff in accordance with the applicable laws and regulations of each business location, including the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Social Insurance Law of the People's Republic of China", the "Hong Kong Employment Ordinance", etc. and adopts a fair employment policy. These laws specify requirements concerning employee compensation and dismissal, recruitment, vacations, diversity, anti-discrimination, and welfare and other benefits. The Group recruits staff and fully protects the legal rights of its employees in accordance with national laws and regulations and combining the industrial characteristics and actual situations. The appropriate candidates would be selected based on their experiences, knowledge and abilities, and other job requirements, and regardless of their race, gender, age, nationality, or religion. This employment policy applies throughout all phases of the employment, including but not limited to hiring, promotion, performance appraisal, training, personal development and termination. On the basis of equality, the Group hopes to identify talents who are committed and dedicated to work, willing to take responsibility, keep learning, continuously improve their abilities and willing to move forward with the Group. On the other hand, the Group provides equal opportunities to employees in providing benefits, promotion, performance appraisal, training and career development and works closely with its employees with an aim to achieve win-win situation.

Labor Standards

The Group complies with the "Labor Law of the People's Republic of China", the "Hong Kong Employment Ordinance" and other applicable laws and regulations. The Group cherishes human rights and protects labor rights. Child and forced labor are strictly prohibited in accordance with the applicable laws and regulations. The Group conducts background checks and reference checks in its hiring process to prevent any child labor. Besides, the Group has also implemented various measures to prevent any forms of forced labor. For example, labor contract is signed by the employee on a fair and voluntary basis, ensure employees do not need to bear any onboarding costs, never deduct wages, benefits or properties of employees, detention of employee's identity card or other identification documents is strictly prohibited, forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom are all forbidden. Employees' consent for work overtime is required to avoid involuntary overtime work, and the employees are compensated as appropriate in accordance with the applicable labor laws and regulations. During the reporting period, the Group did not involve in any violation of the laws and regulations related to the child and forced labor.

Compensation and Welfare

The Group reviews the salary levels of employees regularly and benchmarks against up-to-date remuneration data in the industry, so as to establish a fair, reasonable and competitive remuneration scheme. Staff salary levels are decided based on one's knowledge, skills, scope of work, performance, experience and education background. Our employee remuneration package includes fixed salary, discretionary year-end bonus and other benefits. The Group expects employees to receive proper returns for their contribution. In order to enhance the quality of work and competency of employees, and stimulate their self-motivation, we conduct periodic performance appraisal and fairly assess the level of the discretionary bonus, salaries increment and/or promotion recommendations based on a number of criteria.

V. EMPLOYMENT AND LABOR PRACTICES (continued)

Compensation and Welfare (continued)

Besides, in accordance with the local labor laws and social security laws and regulations, the Group provides social security benefits for all employees. We contribute to various social security scheme (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund for the employees in Mainland China, and contribute to the Mandatory Provident Fund Scheme for the employees in Hong Kong. The Group handles the dismissal of employees and compensates them in accordance with the local laws and regulations.

The Group attaches importance to employees' health and work-life balance and protects the employees' entitlement to rest days and holidays. Employees' work hours are set in compliance with local labor laws. All employees are entitled to rest days and holidays, for example, annual leaves, sick leaves, marriage leaves, maternity leaves, funeral leaves and work injury leaves.

Besides, the Group did not reduce the employees' compensation and welfare nor lay off any employees due to COVID-19. For the sake of employees' health and safety, the Group has implemented various anti-epidemic prevention measures to reduce the chance of infection. Please refer to the "Health and Safety" below for details.

Development and Training

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, we encourage staff to continue study and lifelong learning. This not only enhances the quality and capability of employees, but also raises the cohesiveness among them, resulting in increased productivity. We provide on-the-job training and mentorship for new hires to help them adapting to the new work environment quickly, and enhance team cohesion. Training topics for new hires include corporate culture, business philosophy, development history, management practices, business scope, employee rights and obligations, human resources plan, etc.. During the reporting period, the Group also provides external online training for employees, including areas in business, finance, etc. For example, the analysis of macroeconomics under the impact of the epidemic and financial turmoil in China, analysis of financial fraud of listed companies in China.

Health and Safety

The Group recognizes the importance of our employees' health and safety at work, therefore we strictly implement office environment sanitation and fire safety management to prevent occupational hazards which might lead to staff injury. Smoking in the office areas are absolutely prohibited. Each employee should be familiar with the location and the use method of fire extinguisher. We also have clear evacuation procedures in case of fire outbreak in offices to ensure our employees are able to take sensible and immediate action.

With the outbreak of COVID-19, we have adopted various preventive measures to reduce our employees' chances of being infected or spreading the disease. These precautions include provision of surgical masks and alcohol-based hand sanitizers for our employees, adopting "work from home" policy, reminding our employees to follow good respiratory and hand hygiene and maintain proper social distance, ensuring the workplace is clean and hygienic, measuring body temperature of employees every day, etc..

Compliance

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.

VI. OPERATING PRACTICES

Supply Chain Management

The Group conveys its concerns on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develop with its suppliers on the basis of equality to achieve a win-win situation. In order to establish an efficient and green supply chain system, we select suppliers and service providers with good credit history, reputable, high product and service quality, proven track records of environmental compliance and sound commitment to social responsibility.

Service Responsibility

The Group understand that customers' satisfaction is vital to its sustainable development and long term business growth. Therefore, the Group adheres to the core philosophy of "strictness, standardization, prudence, integrity and innovation", is customer-centric, strives to exceed customers' expectations, and provides customers with high-quality services in a pragmatic manner.

Confidentiality is one of the Group's core values. Customers' information is always handled diligently and confidentially. For any confidential information obtained through business relationships, employees are prohibited from disclosing any information to third parties without proper authorization unless there is a legal or professional right or duty to do so.

The Group respects intellectual property rights. Employees are not allowed to possess or use copyrighted material without the permission of the copyright owners.

During the reporting period, the Group's services did not involve in any significant issues relating to violations, nor did the Group receive any complaints concerning breaches of customer privacy and loss of data.

Anti-corruption

Maintaining an ethical working environment is one of the Group's core values. The Group adopts a zero-tolerance approach for all kinds of corruption, bribery, extortion situation. To comply with the "Criminal Law of the People's Republic of China", the "Prevention of Bribery Ordinance" enforced by the Hong Kong Independent Commission Against Corruption and other applicable laws and regulations, the Group established employee handbook to strictly regulate the behavior of employees. The Group has set out strict penalties to combat inappropriate collection and acceptance of bribes, commissions or other illegal interests (such as property, banquet activities, etc.). The Group requires all personnel to abide by rules and regulations and does not tolerate any bribery act at all. For employees who violate the company's rules, regardless of whether they have caused losses to the company, the company will directly dismiss the employee as punishment. These measures prove the Group's determination to fight corruption and uphold integrity, hoping to combat corruption and contribute to building a clean society. During the reporting period, there is no litigation of corruption involving the Group or its employees.

VII. COMMUNITY INVESTMENT

The Group has paid tax in accordance with applicable law since its incorporation, and spares no effort in easing local employment pressure. We help our staff to prepare and plan for their retirement by providing social security benefits for all employees. We run our business following good practices, and achieve a good development order; and to certain extent, we have contributed to social stability and building a harmonious community.

VIII. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	2020	2019[4]
Greenhouse Gas ("GHG") Emissions			
Scope 1[1]:			
Total	Tonnes	25.22	36.66
Intensity[3]	Tonnes	0.76	0.37
Scope 2[2]:			
Total	Tonnes	11.86	513.58
Intensity[3]	Tonnes	0.36	5.14
Air Emissions			
Nitrogen Oxides	Kilograms	8.58	12.50
Sulfur Oxides	Kilograms	0.14	0.20
Particulate Matters	Kilograms	0.63	0.92
Natural resources consumptions			
Electricity:			
Total	Megawatt hours	14.65	570.87
Intensity[3]	Megawatt hours	0.44	5.71
Gasoline:			
Total	Liters	9,313.06	13,538.52
Intensity[3]	Liters	281.50	135.39
Water Resources:			
Total	Tonnes	–	2,391.03
Intensity[3]	Tonnes	–	23.91

Notes:

1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of gasoline.

2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.

3 Intensity is measured base on the number of employees.

4 Last year's comparative figures are restated to conform with the current year's presentation.

IX. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED

General Disclosure/ Key Performance Indicators ("KPIs")	Reporting Guideline	Pages
	A. Environmental	
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous[1] and non-hazardous[2] waste.	32–33
KPI A1.1	The types of emissions and respective emissions data.	38
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	38
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[1]
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A[2]
KPI A1.5	Description of measures to mitigate emissions and results achieved.	33
KPI A1.6	Description of how hazardous[1] and non-hazardous[2] wastes are handled, reduction initiatives and results achieved.	33
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	33–34
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	38
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	38
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	33
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	34
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A[1]

IX. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED (continued)

General Disclosure/ Key Performance Indicators ("KPIs")	Reporting Guideline	Pages
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	34
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	34
	B. Social[3]	
Aspect B1	**Employment and Labor Practices**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	35–36
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	36
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	36
Aspect B4	**Labor Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	35
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	37

IX. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED (continued)

General Disclosure/ Key Performance Indicators ("KPIs")	Reporting Guideline	Pages
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	37
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	37
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	37

Notes:

1 The Group's main business is the provision of finance lease and loan services. Therefore, the Group did not generate any hazardous wastes and use any packaging materials.

2 The Group's main business is the provision of finance lease and loan services. The non-hazardous wastes are mainly domestic garbage and waste paper. As the Group does not have many employees, the employees generate little domestic garbage and waste paper, so there is no statistics for the amount of non-hazardous wastes generated.

3 Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only. Therefore, the Group choose not to disclose those KPIs in this report.

ZHONGHUI

TO THE SHAREHOLDERS OF AVIC JOY HOLDINGS (HK) LIMITED
(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED OPINION

We have audited the consolidated financial statements of AVIC Joy Holdings (HK) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 45 to 125, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

1. Intangible assets and related deferred tax liabilities

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

We were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the deferred tax liabilities on the consolidated statement of financial position as at 31 December 2020 and 2019 of approximately HK$Nil and HK$56,250,000, respectively and to the deferred tax credit on the consolidated statement profit or loss of approximately HK$56,250,000 and HK$78,796,000 respectively for the years ended 31 December 2020 and 2019.

2. Contract costs

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the contract cost on the consolidated statement of financial position as at 31 December 2020 and 2019 of approximately HK$315,446,000 and HK$285,352,000 respectively. There are no other satisfactory audit procedures that we could adopt to determine the recoverability of the contract cost.

3. Promissory note receivables

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

BASIS FOR QUALIFIED OPINION (continued)

4. Trade receivables

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

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

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, we have not determined any other key audit matters to be communicated in our report.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the intangible assets, contract costs, promissory note receivables, interest receivable related to promissory note receivables and trade receivables. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

REPORT ON OTHER MATTERS UNDER SECTION 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the carrying amount of the intangible assets, carrying amount of the contract costs, carrying amount of deferred tax liabilities, recoverability of promissory note receivables and related interest receivables, and recoverability of trade receivables, we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**5,903**	15,546
Cost of sales		**–**	–
Gross profit		**5,903**	15,546
Other income, gains and losses	7	**8,484**	11,770
Reversal of expected credit losses ("**ECLs**")/(ECLs) on financial assets	11	**7,000**	(37,566)
Administrative expenses		**(30,787)**	(45,622)
Other expenses		**–**	(156)
Fair value losses on investment properties, net	17	**(2,340)**	(140,790)
Impairment of goodwill	18	**–**	(22,056)
Impairment of intangible assets	19	**(225,000)**	(315,184)
Gain on disposal of subsidiaries	38	**52,612**	–
Share of profits/(losses) of joint ventures		**8,955**	(5,631)
Finance costs	8	**(68,275)**	(130,862)
LOSS BEFORE TAX		**(243,448)**	(670,551)
Income tax credit	9	**54,737**	78,780
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	11	**(188,711)**	(591,771)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	10	**–**	6,806
LOSS FOR THE YEAR		**(188,711)**	(584,965)
Loss for the year attributable to owners of the Group			
– from continuing operations		**(85,562)**	(447,284)
– from discontinued operations		**–**	6,524
Loss for the year attributable to owners of the Group		**(85,562)**	(440,760)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(103,149)**	(144,487)
– from discontinued operations		**–**	282
Loss for the year attributable to non-controlling interests		**(103,149)**	(144,205)
LOSS PER SHARE	14		
From continuing and discontinued operations			
Basic and diluted		**(HK1.44 cents)**	(HK7.42 cents)
From continuing operations			
Basic and diluted		**(HK1.44 cents)**	(HK7.53 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000
LOSS FOR THE YEAR		**(188,711)**	(584,965)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:			
Items that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**–**	(16,622)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**7,777**	(10,027)
Share of joint ventures' exchange differences on translation of foreign operations		**4,587**	–
Reclassification adjustments for foreign operations disposed of during the year	38	**(46,276)**	2,603
Other comprehensive expenses for the year, net		**(33,912)**	(24,046)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(222,623)**	(609,011)
Total comprehensive expenses attributable to:			
Owners of the Company		**(120,104)**	(464,530)
Non-controlling interests		**(102,519)**	(144,481)
		(222,623)	(609,011)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**557**	2,995
Right-of-use assets	16	**920**	2,448
Investment properties	17	**–**	19,712
Intangible assets	19	**–**	225,000
Investments in joint ventures	20	**73,160**	59,618
Prepayments and deposits	23	**333**	229
Finance lease receivables	21	**26,999**	49,253
		101,969	359,255
CURRENT ASSETS			
Contract costs	26	**315,446**	285,352
Trade receivables	22	**19,629**	21,245
Prepayments, deposits and other receivables	23	**10,058**	17,376
Finance lease receivables	21	**26,223**	90,674
Promissory note receivables	24	**62,300**	62,300
Amounts due from joint ventures	20	**128,692**	128,394
Bank balances and cash	27	**39,665**	33,051
		602,013	638,392
Assets classified as disposal group held for sale	10	**–**	1,528,468
		602,013	2,166,860
CURRENT LIABILITIES			
Trade payables	28	**7,874**	8,550
Other payables and accruals	29	**167,724**	127,487
Lease liabilities	30	**886**	1,492
Interest-bearing bank and other borrowings	31	**213,283**	202,634
Loans from related companies	25	**810,714**	206,979
Loans from joint ventures	20	**15,698**	13,343
Loans from non-controlling shareholders	25	**32,343**	32,189
Tax payable		**4,106**	2,454
		1,252,628	595,128
Liabilities classified as disposal group held for sale	10	**–**	1,208,635
		1,252,628	1,803,763
NET CURRENT (LIABILITIES)/ASSETS		**(650,615)**	363,097
TOTAL ASSETS LESS CURRENT LIABILITIES		**(548,646)**	722,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	30	**76**	904
Interest-bearing bank and other borrowings	31	**20,190**	195,861
Loans from related companies	25	**–**	815,626
Deferred tax liabilities	32	**232**	56,482
		20,498	1,068,873
NET LIABILITIES		**(569,144)**	(346,521)
CAPITAL AND RESERVES			
Share capital	33	**2,234,815**	2,234,815
Other reserves		**(2,736,798)**	(2,616,694)
Equity attributable to owners of the Company		**(501,983)**	(381,879)
Non-controlling interests		**(67,161)**	35,358
		(569,144)	(346,521)

The consolidated financial statements on pages 45 to 125 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Chan Hon Wai
Director

Chang Chien
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 equity
	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 year	–	–	–	–	–	–	–	–	(440,760)	(440,760)	(144,205)	(584,965)
Change in fair value of equity instrument through other comprehensive income	–	–	(16,622)	–	–	–	–	–	–	(16,622)	–	(16,622)
Exchange differences on translation of foreign operations	–	–	–	–	–	(9,751)	–	–	–	(9,751)	(276)	(10,027)
Reclassification adjustments for foreign operations disposed of during the year	–	–	–	–	–	2,603	–	–	–	2,603	–	2,603
Total comprehensive expenses for the year	–	–	(16,622)	–	–	(7,148)	–	–	(440,760)	(464,530)	(144,481)	(609,011)
Disposal of subsidiaries	–	–	–	–	–	–	(1,707)	–	1,707	–	(12,946)	(12,946)
At 31 December 2019	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 year	–	–	–	–	–	–	–	–	(85,562)	(85,562)	(103,149)	(188,711)
Exchange differences on translation of foreign operations	–	–	–	–	–	11,734	–	–	–	11,734	630	12,364
Reclassification adjustments for foreign operations disposed of during the year	–	–	–	–	–	(46,276)	–	–	–	(46,276)	–	(46,276)
Total comprehensive expenses for the year	–	–	–	–	–	(34,542)	–	–	(85,562)	(120,104)	(102,519)	(222,623)
Lapse of share options	–	(14,114)	–	–	–	–	–	–	14,114	–	–	–
Disposal of subsidiaries (Note 38a)	–	–	–	–	–	–	–	(9,426)	9,426	–	–	–
At 31 December 2020	**2,234,815**	**–**	**(145,022)**	**58,086**	**823,357**	**(81,645)**	**–**	**–**	**(3,391,574)**	**(501,983)**	**(67,161)**	**(569,144)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(243,448)**	(663,395)
Adjustments for:			
Finance costs		**68,275**	133,021
Interest income		**(2,686)**	(2,027)
Share of (profits)/losses of joint ventures		**(8,955)**	5,631
Depreciation of property, plant and equipment		**280**	2,677
Depreciation of right-of-use assets		**1,491**	3,876
Amortisation of intangible assets		**–**	46
Impairment loss on property, plant and equipment		**–**	339
Impairment loss on goodwill		**–**	22,056
(Reversal of ECLs)/ECLs on financial assets		**(7,000)**	33,247
Impairment loss on intangible assets		**225,000**	315,184
Loss on fair value changes of investment properties, net		**2,340**	140,790
Gain on disposal of other asset		**–**	(3,195)
Loss on disposal of property, plant and equipment		**195**	–
Waiver of other payables upon deregistration of a subsidiary	7	**(15,677)**	–
Gain on disposal of subsidiaries	38	**(52,612)**	(218)
Operating cash flows before movements in working capital		**(32,797)**	(11,968)
(Increase)/decrease in contract costs		**(1,135)**	4,646
Decrease in trade receivables		**2,980**	1,296
Decrease in prepayments, deposits and other receivables		**3,912**	36,118
Decrease/(increase) in finance lease receivables		**98,688**	(113,688)
Decrease in amounts due from joint ventures		**10,500**	24,386
(Decrease)/increase in trade payables		**(1,151)**	2,792
Increase/(decrease) in other payables and accruals		**37,622**	(22,368)
Cash generated from/(used in) operations		**118,619**	(78,786)
Income taxes paid		**(18)**	(301)
Net cash generated from/(used in) operating activities		**118,601**	(79,087)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(356)**	(627)
Net cash inflow from disposal of subsidiaries	38	**368,959**	10,517
Direct costs to disposal of subsidiaries		**(2,359)**	–
Proceeds from disposal of other asset		**–**	5,875
Repayment from joint ventures		**–**	1,330
Interest received		**772**	113
Proceeds from disposal of investment properties		**17,049**	–
Proceeds from disposal of property, plant and equipment		**87**	–
Net cash generated from investing activities		**384,152**	17,208
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		**(184,147)**	(244,362)
Interest paid on bank and other borrowings		**(21,899)**	(87,875)
Interest paid on loans from related companies		**–**	(6,362)
Interest paid on lease liabilities		**(69)**	(209)
Repayment of lease liabilities		**(1,495)**	(3,644)
Advance of loans from related companies		**–**	288,760
Advance of loans from joint ventures		**1,499**	4,607
New bank and other borrowings		**–**	116,280
Repayment of loans from related companies		**(297,458)**	–
Net cash (used in)/generated from financing activities		**(503,569)**	67,195
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(816)**	5,316
Cash and cash equivalents at 1 January		**34,060**	40,484
Effect of foreign exchange rate changes		**6,421**	(11,740)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**39,665**	34,060
Representing by:			
Bank balances and cash		**39,665**	33,051
Assets classified as disposal group for sale		**–**	1,009
		39,665	34,060

1. GENERAL 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 registered office of the Company is located at Room A02, 35/F, United Centre, 95 Queensway, Hong Kong. With effect from 17 April 2020, the registered office of the Company was changed to Room 1501, 15/F., Car Po Commercial Building, 18–20 Lyndhurst Terrace, Central, Hong Kong.

During the year, 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 ("**PRC**"). The Group operates LED EMC business through its investments in joint ventures.

On 30 March 2020, the Group disposed of Shanghai Shangju Enterprise Co., Ltd.* (上海商聚實業有限公司) and its subsidiaries (collectively referred to as "**Shanghai Shangju**"), which carried out the properties investment operations in the PRC.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the 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$188.7 million for the year ended 31 December 2020 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$569.1 million as at 31 December 2020. The Group's total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK$1,092.2 million, out of which approximately HK$1,072.0 million are due for repayment in the next twelve months from the date of approval of these consolidated financial statements.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) A substantial shareholder of the Company, Sincere View International Limited ("**Sincere View**") 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, Sincere View will provide funding support via, including but not limited to, guarantee or loan financing, within one year from the date of the letter.

(ii) As set out in note 25 to the consolidated financial statements, according to the letter from Sincere View to the Board of the Company dated 22 March 2021, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the loans from related companies of approximately HK$810.4 million nor any interest to be incurred of approximately HK$131.3 million during the period from 1 January 2021 to 31 December 2022.

(iii) The Group is negotiating with the counterparties to renew the existing loans from them as set out in notes 25 and 31 to the consolidated financial statements.

(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 consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

* *English translation for reference only.*

3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure the fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changes in the Group's interests in existing subsidiaries

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The difference between the carrying amount of the joint venture and the fair value of proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated at the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests incurred by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- Lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts at the acquiree's identifiable net assets or at fair value. Acquisition-related costs are expensed as incurred.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Disposal group held for sale

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its provision of land development services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Foreign currencies

These financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the HK$. At the end of each reporting period, for the purpose of presenting of consolidated financial statements, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period. Income and expenses items are translated into HK$ at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves (attributed to non-controlling interests as appropriate). The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, all the exchange differences accumulated in equity relating to that particular foreign operation is reclassified in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired on an acquisition of a foreign operation are translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned properties	2% or over the lease terms, whichever is shorter
Leasehold improvements	4% to 20% or over the lease terms, whichever is shorter
Plant and machinery	10% to 20%
Furniture and fixtures	15% to 25%
Motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas refueling stations under construction, which is stated at cost less any impairment losses, and is not depreciated. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation.

Such properties are measured initially at cost, including any directly attributable expenditure.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets with finite lives are subsequently amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Land development contract

Land development contract is stated at cost less any impairment losses and is amortised on the output-based basis over its estimated useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Franchise

Purchased franchise is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated life of 20 years.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of corporate assets or portion of corporate assets allocated to the group of cash-generating units, with the recoverable amount of this group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liabilities, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit and loss ("**FVTPL**"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group a manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measure at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income, gains and losses line item in profit or loss.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, promissory note receivables, amounts due from joint ventures and bank balances and other items (finance lease receivables)) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables without significant financing component. The ECL are assessed individually for debtors with significant balances or collectively using a provision matrix with past due analysis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the past due analysis basis:

- Nature of financial instruments (i.e. the Group's trade receivables and finance lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, promissory note receivables, finance lease receivables and amounts due from joint ventures, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using effective interest method or at FVTPL.

Financial liabilities including trade and other payables, lease liabilities, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimated impairment of intangible assets

The Group determines whether intangible assets not available for use is impaired at least on an annual basis, and whenever there is an indication that it may be impaired. If any impairment, the Group estimates the recoverable amounts of the intangible assets. The Group measures the recoverable amounts of the intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from intangible assets based on the development plan forecasted by the management, economic outlook, expected selling price, development costs and a suitable discount rate in order to calculate the present value. As at 31 December 2020, the carrying amount of intangible assets was HK$Nil (2019: approximately HK$225,000,000) (net of accumulated impairment loss of HK$964,000,000 (2019: HK$739,000,000)).

Estimated impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for other receivable, promissory note receivables, amounts due from joint ventures and finance lease receivables

The Group uses individual assessments to calculate ECL for the other receivables, promissory note receivables, amounts due from joint ventures and finance lease receivables. The provision rates are based on past due analysis. The individual assessments are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Impairment of contract costs

The Group determines whether the outcome of the contract costs can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic benefits flows to the Group. The carrying amount of contract costs as at 31 December 2020 was approximately HK$315,446,000 (2019: approximately HK$285,352,000).

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

6. REVENUE AND SEGMENT INFORMATION

Leases

	2020 **HK$'000**	2019 HK$'000
Finance lease income – machinery and equipment	**5,903**	15,546

6. REVENUE AND SEGMENT INFORMATION (continued)

Leases (continued)

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

(a) Management and operation of 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 gain on disposal of other asset, waiver of other payables upon deregistration of a subsidiary, certain exchange losses, and certain finance costs, depreciation, as well head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, right-of-use assets, other receivables and bank balances; and

- all liabilities are allocated to operating segments other than certain loans from related companies, other payables, tax payables, deferred tax liabilities, lease liabilities and interest-bearing bank and other borrowings.

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

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2020

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

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2020 (continued)

	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment assets	**99,542**	**254,797**	**397,185**	**751,524**
Reconciliation:				
Elimination of intersegment receivables				**(88,870)**
Corporate and other unallocated assets				**41,328**
Total assets				**703,982**
Segment liabilities	**208,539**	**699,697**	**526,774**	**1,435,010**
Reconciliation:				
Elimination of intersegment payables				**(1,353,737)**
Corporate and other unallocated liabilities				**1,191,853**
Total liabilities				**1,273,126**

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2019

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

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2019 (continued)

	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment assets	86,000	1,885,229	696,958	2,668,187
Reconciliation:				
Elimination of intersegment receivables				(178,309)
Corporate and other unallocated assets				36,237
Total assets				2,526,115
Segment liabilities	208,506	2,538,320	695,428	3,442,254
Reconciliation:				
Elimination of intersegment payables				(1,633,133)
Corporate and other unallocated liabilities				1,063,515
Total liabilities				2,872,636

7. OTHER INCOME, GAINS AND LOSSES

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

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

8. FINANCE COSTS

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

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

9. INCOME TAX CREDIT

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong in both years. Taxation on PRC profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020	2019
	HK$'000	HK$'000
Continuing operations		
PRC Enterprise Income Tax ("**EIT**"):		
– Current tax	**1,529**	16
– Over-provision in prior year	**(16)**	–
Deferred tax credit (Note 32)	**(56,250)**	(78,796)
	(54,737)	(78,780)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. INCOME TAX CREDIT (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective rates is as follows:

	2020		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**
Loss before tax (from continuing operations)	**(58,977)**	**(184,471)**	**(243,448)**
Tax at the statutory tax rates	**(9,731)**	**(46,118)**	**(55,849)**
Tax effect of share of profits and losses attributable to joint ventures	**–**	**(2,239)**	**(2,239)**
Tax effect of income not subject to tax	**(14)**	**(19,141)**	**(19,155)**
Over-provision in prior year	**–**	**(16)**	**(16)**
Tax effect of expenses not deductible for tax	**9,745**	**3,263**	**13,008**
Tax effect of tax losses not recognised	**–**	**9,514**	**9,514**
Income tax credit for the year (relating to continuing operations)	**–**	**(54,737)**	**(54,737)**

	2019		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax (from continuing operations)	(51,137)	(619,414)	(670,551)
Tax at the statutory tax rates	(8,438)	(154,854)	(163,292)
Tax effect of share of profits and losses attributable to joint ventures	–	1,408	1,408
Tax effect of income not subject to tax	(527)	(455)	(982)
Tax effect of deductible temporary differences not recognised	–	9,391	9,391
Utilisation of tax losses previously not recognised	–	(865)	(865)
Tax effect of expenses not deductible for tax	8,965	33,344	42,309
Tax effect of tax losses not recognised	–	33,251	33,251
Income tax credit for the year (relating to continuing operations)	–	(78,780)	(78,780)

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

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

	Period ended 17 September 2019 HK$'000
Profit of CNG and petroleum products operation for the period	6,588
Gain on disposal of CNG and petroleum products operation	218
	6,806

* *English translation for reference only.*

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

(a) Discontinued Operations (continued)

The results of the sales of CNG and petroleum products operations for the period from 1 January 2019 to 17 September 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 17 September 2019 HK$'000
Revenue – Contracts with customers	46,873
Cost of sales	(30,213)
Gross Profit	16,660
Other income, gains and losses	(277)
Reversal of impairment losses under ECL model	4,319
Selling and distribution expenses	(6,878)
Administrative expenses	(4,715)
Other expenses	(12)
Finance costs	(2,159)
Profit before tax	6,938
Income tax expense	(350)
Profit of CNG and petroleum products operation for the period	6,588
Gain on disposal of subsidiaries	218
Profit for the period	6,806

Profit for the period from discontinued operations includes the followings:

	Period ended 17 September 2019 HK$'000
Impairment loss recognised in respect of property, plant and equipment	(339)
Depreciation of property, plant and equipment	(2,252)
Depreciation of right-of-use assets	(135)
Amortisation of intangible assets	(46)

During the year ended 31 December 2019, Crystal Concept paid HK$2.83 million to the Group's net operating cash flows, contributed HK$10.52 million in respect of investing activities and paid HK$3.38 million in respect of financing activities.

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

(b) Disposal Group Held For Sale

During the year ended 31 December 2019, the directors resolved to dispose of one of the Group's property investment operations. The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the property investment operations as at 31 December 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

	31 December 2019 HK$'000
Property, plant and equipment	1,672
Investment properties	1,519,280
Prepayments, deposits and other receivables	6,507
Bank balances and cash	1,009
Assets classified as disposal group held for sale	1,528,468
Trade payables and accrued expenses	(1,891)
Loan from related companies	(75,040)
Bank borrowings	(1,131,704)
Liabilities classified as disposal group 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$367,897,000). The disposal has been completed on 30 March 2020, on which date the Group lost control of Shanghai Shangju.

The carrying amounts of the assets and liabilities of Shanghai Shangju at the date of disposal are disclosed in note 38.

11. LOSS FOR THE YEAR

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

	2020 **HK$'000**	2019 HK$'000
Auditor's remuneration	**1,100**	1,100
Depreciation on property, plant and equipment	**280**	425
Depreciation of right-of-use assets	**1,491**	3,741
(Reversal of ECLs)/ECLs on financial assets	**(7,000)**	37,566
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 12)):		
Wages, salaries, allowances and benefits in kind	**7,759**	10,002
Retirement scheme contributions	**272**	114
	8,031	10,116

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of information about Benefits of Directors), is as follows:

2020	Notes	**Fees** **HK$'000**	**Salaries, allowances and benefits in kind** **HK$'000**	**Retirement schemes contributions** **HK$'000**	**Total remuneration** **HK$'000**
Executive directors:					
Wu Xiaodong	(a)	**–**	**371**	**–**	**371**
Guan Liqun	(b)	**–**	**–**	**–**	**–**
Zhang Zhibiao	(d)	**–**	**26**	**–**	**26**
Wang Ying	(d)	**–**	**26**	**–**	**26**
Mu Yan	(d)	**–**	**26**	**–**	**26**
Chan Hoi Wai	(c)	**–**	**429**	**6**	**435**
Chang Chien	(c)	**–**	**11**	**1**	**12**
Lam Toi Man	(c)	**–**	**11**	**1**	**12**
Tse Tin	(c)	**–**	**11**	**1**	**12**
Independent non-executive directors:					
Jiang Ping	(d)	**43**	**–**	**–**	**43**
Wu Rui	(d)	**43**	**–**	**–**	**43**
Guo Wei	(d)	**43**	**–**	**–**	**43**
To Chun Kei	(c)	**17**	**–**	**–**	**17**
Liu Jingwei	(c)	**17**	**–**	**–**	**17**
Zheng Yanqing	(c)	**17**	**–**	**–**	**17**
		180	**911**	**9**	**1,100**

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2019	Note	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement schemes contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Guan Liqun	(b)	36	466	18	520
Zhang Zhibiao	(d)	36	–	–	36
Wang Ying	(d)	36	–	–	36
Fu Fangxing	(e)	2	–	–	2
Mu Yan	(d)	36	–	–	36
Fu Xiao	(f)	22	–	–	22
Independent non-executive directors:					
Jiang Ping	(d)	60	–	–	60
Wu Rui	(d)	60	–	–	60
Guo Wei	(d)	60	–	–	60
		348	466	18	832

Notes:

a) Appointed with effect from 9 January 2020 and resigned with effect from 18 September 2020

b) Resigned with effect from 9 January 2020

c) Appointed with effect from 18 September 2020

d) Resigned with effect from 18 September 2020

e) Resigned with effect from 18 January 2019

f) Resigned with effect from 15 August 2019

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

13. FIVE HIGHEST PAID EMPLOYEES

None of director was included in the five highest paid employees during the year (2019: one), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year for the remaining five (2019: four) highest paid employees who are not directors of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, bonuses, allowances and benefits in kind	**2,911**	1,660
Pension scheme contributions	**50**	49
	2,961	1,709

13. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**5**	4

14. LOSS PER SHARE

For continuing operations

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

From discontinued operations

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

From continuing and discontinued operations

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2019	32,815	293	56,667	5,669	16,124	2,446	114,014
Exchange adjustment	(1,805)	–	–	757	–	–	(1,048)
Additions	–	–	–	18	609	–	627
Reclassified as held for sale (Note 10)	(8,761)	–	(2,405)	–	–	–	(11,166)
Disposal of subsidiaries	(22,249)	(142)	(54,262)	(5,114)	(9,839)	(2,446)	(94,052)
At 31 December 2019	–	151	–	1,330	6,894	–	8,375
Exchange adjustment	–	–	–	396	127	–	523
Additions	–	–	–	–	356	–	356
Disposals	–	–	–	–	(1,880)	–	(1,880)
Disposal of subsidiaries (Note 38)	–	–	–	–	(4,093)	–	(4,093)
At 31 December 2020	**–**	**151**	**–**	**1,726**	**1,404**	**–**	**3,281**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	(21,510)	(152)	(56,293)	(5,385)	(8,478)	(1,701)	(93,519)
Depreciation provided for the year	(1,082)	(30)	(194)	(689)	(682)	–	(2,677)
Impairment loss in profit or loss	–	–	(312)	(4)	(23)	–	(339)
Reclassified as held for sale (Note 10)	6,501	–	2,993	–	–	–	9,494
Elimination on disposal of subsidiaries	16,091	48	53,806	4,920	5,095	1,701	81,661
At 31 December 2019	–	(134)	–	(1,158)	(4,088)	–	(5,380)
Depreciation provided for the year	–	(17)	–	(93)	(170)	–	(280)
Exchange adjustment	–	–	–	(414)	(98)	–	(512)
Disposals	–	–	–	–	1,598	–	1,598
Elimination on disposal of subsidiaries (Note 38)	–	–	–	–	1,850	–	1,850
At 31 December 2020	–	(151)	–	(1,665)	(908)	–	(2,724)
CARRYING VALUES							
At 31 December 2020	**–**	**–**	**–**	**61**	**496**	**–**	**557**
At 31 December 2019	**–**	**17**	**–**	**172**	**2,806**	**–**	**2,995**

16. RIGHT-OF-USE ASSETS

	Land use rights HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2019	6,667	6,140	12,807
Depreciation charge (Note 11)	(135)	(3,741)	(3,876)
Disposal of subsidiaries	(6,361)	–	(6,361)
Exchange alignment	(171)	49	(122)
At 31 December 2019 and 1 January 2020	–	2,448	2,448
Depreciation charge (Note 11)	–	(1,491)	(1,491)
Exchange alignment	–	(37)	(37)
At 31 December 2020	–	920	920

	2020 HK$'000	2019 HK$'000
Expenses related to short-term leases	**622**	385
Lease commitments of short-term leases	**786**	–
Total cash outflow for leases	**2,186**	4,238

For both years, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants and the leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 30.

17. INVESTMENT PROPERTIES

	HK$'000
Carrying amount at 1 January 2019	1,707,264
Net decrease in fair value recognised in profit or loss	(140,790)
Reclassified as held for sale (Note 10)	(1,519,280)
Exchange adjustments	(27,482)
Carrying amount at 31 December 2019 and 1 January 2020	19,712
Net decrease in fair value recognised in profit or loss	(2,340)
Disposals	(17,049)
Exchange adjustments	(323)
Carrying amount at 31 December 2020	–

During the year ended 31 December 2020, the Group's investment properties were disposed at a consideration of approximately HK$17,049,000 and recognised net decrease in fair value of approximately HK$2,340,000 accordingly.

At 31 December 2019, the Group's investment properties consist of five commercial properties and several carparks in the PRC. The directors of the Company have determined that the investment properties consist of only one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. During the year ended 31 December 2019, four commercial properties and car parks were reclassified as held for sale. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Roma Appraisals Limited, independent qualified professional valuer, at HK$1,538,992,000 (including those classified as disposal group held for sale). Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2019, the Group's investment properties with an aggregate carrying value of HK$1,519,280,000 (reclassified as held for sale) were pledged as security for the Group's certain bank loans as further detailed in note 10 to the financial statements.

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using	
	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	1,538,992	1,538,992

There were no transfers of fair value measurements between Level 2 and Level 3 in both years.

17. INVESTMENT PROPERTIES (Continued)

The fair values of the investment properties as at 31 December 2019 were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. The weighted average range of the adjusted price per square meter is HK$21,805 to HK$106,137 for properties located in Shanghai and classified as disposal group held for sale and HK$36,633 to HK$37,953 for the remaining property located in Beijing. A significant increase/(decrease) in the adjusted price per square feet would result in a significant increase/(decrease) in the fair value of the investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. GOODWILL

	2020	2019
	HK$'000	HK$'000
COST		
At 1 January	**61,706**	133,774
Disposal of subsidiaries	**–**	(72,068)
At 31 December	**61,706**	61,706
IMPAIRMENT		
At 1 January	**61,706**	104,489
Eliminated on disposal of subsidiaries	**–**	(64,839)
Impairment loss recognised in the year	**–**	22,056
At 31 December	**61,706**	61,706
CARRYING VALUES		
At 31 December	**–**	–

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("**CGU**") of (i) the gas refueling station operation; (ii) the provision of finance lease and loan services; and (iii) the provision of land development services.

Gas refueling station operation CGU

During the year ended 31 December 2019, goodwill from gas refueling station with a carrying amount of HK$7,229,000 was derecognised upon the disposal of subsidiaries.

18. GOODWILL (continued)

Finance lease and loan service CGU

At 31 December 2019, the recoverable amount of the provision of finance lease and loan service cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 5-year period with reference to the average contract periods of the existing finance lease arrangements. The discount rate applied to cash flow projections is 16.80%. Cash flows beyond 5-year period are extrapolated using a steady 3% growth rate. The recoverable amount of the finance lease and loan service CGU was assessed to be less than the carrying amount due to the challenges and uncertainties resulting from the strategy adjustment in the future development of this CGU by the Group. The management determined an impairment loss of HK$22,056,000 for the year ended 31 December 2019.

Land development service CGU

At 31 December 2019, the recoverable amount of the provision of land development service cash-generating unit has been determined based on the present value of contract income attributable to the subject land development contract covering a 5-year period by applying a discount rate representing the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project. The discount rate applied to cash flow forecast is 19.65% approved by senior management. Full impairment loss had been recognised as at 31 December 2019.

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are as follows:

Forecast revenue and budgeted gross margins – The basis used to determine the value assigned to the forecast revenue and budgeted gross margins is the past performance of the unit, market selling prices of the adjacent lands and management's expectations of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

19. INTANGIBLE ASSETS

	Land development contracts HK$'000	Franchise HK$'000	Total HK$'000
COST			
At 1 January 2019	964,000	896	964,896
Disposal of subsidiaries	–	(896)	(896)
At 31 December 2019, 1 January 2020 and 31 December 2020	**964,000**	**–**	**964,000**
AMORTISATION AND IMPAIRMENT			
At 1 January 2019	423,816	304	424,120
Charge for the year	–	46	46
Impairment loss recognised in the year	315,184	–	315,184
Disposal of subsidiaries	–	(363)	(363)
Exchange adjustments	–	13	13
At 31 December 2019 and 1 January 2020	739,000	–	739,000
Charge for the year	–	–	–
Impairment loss recognised in the year	225,000	–	225,000
At 31 December 2020	**964,000**	**–**	**964,000**
CARRYING VALUES			
At 31 December 2020	**–**	**–**	**–**
At 31 December 2019	225,000	–	225,000

As at 31 December 2020, there is an amount of HK$Nil (2019: HK$225,000,000) intangible assets 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).

* *English translation for reference only.*

19. INTANGIBLE ASSETS (continued)

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* (莆田市中級人民法院) (the "**Putian Court**"), aiming to request the Fuqing Government to continue to execute the MICCA in accordance with the terms of the agreement.

During the year ended 31 December 2019, 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 an impairment loss of HK$315,184,000 for the year ended 31 December 2019.

On 10 June 2020, the Putian Court has issued a judgement to dismiss the petition by AVIC Fujian and ordered AVIC Fujian to bear specified amounts of litigation costs. In order to protect the interests of the Group and after having sought legal advice, the directors of the Company has decided to appeal and filed an appeal to the High People's Court of Fujian Province* (福建省高級人民法院) (the "**High People's Court**") on 24 June 2020 to request the High People's Court to set aside the judgment and rule the case to be returned to the Putian Court for re-trial. However, the ultimate outcome of the appeal cannot be assessed at this stage. Accordingly, additional impairment amounted to HK$225,000,000 was provided for the year ended 31 December 2020.

In respect of the impairment recognised during the year ended 31 December 2019, the Group made reference to the recoverable amount of the land development service CGU based on the business valuation of 100% equity interest Spotwin Investment Limited, the holding company of AVIC Fujian, of RMB201,000,000, equivalent to approximately HK$225,000,000 as at 31 December 2019 pursuant to a business valuation report issued by an independent professional valuer, Roma Appraisals Limited, and compared the carrying amount of intangible assets in respect of the Project.

20. INVESTMENTS IN JOINT VENTURES

	2020	2019
	HK$'000	HK$'000
Cost of investment in joint ventures	**22,500**	22,500
Share of post-acquisition profits and other comprehensive income	**50,660**	37,118
	73,160	59,618

Except for the amount of HK$15,972,000 (2019: HK$31,366,000) are finance lease receivables from joint ventures, the remaining balances of amounts due from joint ventures of HK$112,720,000 (2019: HK$97,028,000) and loans from joint ventures of HK$15,698,000 (2019: HK$13,343,000) included in current assets and current liabilities, respectively, are non-trade nature, unsecured, interest-free and have no fixed terms of repayment.

* *English translation for reference only.*

20. INVESTMENTS IN JOINT VENTURES (continued)

Details of the finance lease receivables from joint ventures are disclosed as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**19,010**	37,721	**15,972**	31,366
	19,010	37,721	**15,972**	31,366
Less: unearned finance income	**(3,038)**	(6,355)		
Present value of minimum lease payments	**15,972**	31,366		
Analysed for reporting purposes as:				
Current assets	**15,972**	31,366		
Non-current assets	**–**	–		
	15,972	31,366		

The finance lease receivables are denominated in Renminbi ("**RMB**"), which is the functional currency of the relevant group entity.

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

As at 31 December 2020, the Group's finance lease receivables due from joint ventures with an aggregate carrying amount of HK$Nil (2019: HK$31,366,000) were pledged as security for the Group's certain bank loans, as further detailed in note 31 to the consolidated financial statements.

Effective interest rates of the above finance leases range from 10% to 12% per annum for both years.

Particulars of the Group's joint ventures at the end of the reporting period, which are held indirectly through wholly-owned and non-wholly-owned subsidiaries of the Company, are as follows:

Name	Country of incorporation/ registration and principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
		2020	2019	**2020**	2019	
Jia Lian International Limited ("**Jia Lian**")	British Virgin Islands	**45%**	45%	**45%**	45%	Investment holding

The Group holds 45% of the issued share capital of Jia Lian. However, under a Shareholders' agreement, the group and the another shareholder jointly controls the composition of the board of directors of Jia Lian. Therefore, Jia Lian is classified as joint ventures of the Group.

20. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Jia Lian adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2020 **HK$'000**	2019 HK$'000
Bank balances and cash	**162,923**	51,205
Other current assets	**427,150**	74,785
Current assets	**590,073**	125,990
Property, plant and equipment	**26,562**	12,432
Finance lease receivables	**278,081**	365,043
Other non-current assets	**177,888**	–
Non-current assets	**482,531**	377,475
Financial liabilities, excluding trade and other payables	**(33,614)**	(121,116)
Other current liabilities	**(254,159)**	(143,749)
Current liabilities	**(287,773)**	(264,865)
Non-current liabilities	**(641,080)**	(124,943)
Net assets	**143,751**	113,657
Reconciliation to the Group's interest in the joint ventures:		
Proportion of the Group's ownership	**45%**	45%
Proportion of net assets of the Group's ownership	**64,688**	51,146
Goodwill	**8,472**	8,472
Carrying amount of the investment at 31 December	**73,160**	59,618
Revenue	**70,011**	81,885
Profit/(loss) for the year	**19,900**	(12,513)
Total comprehensive income/(expense) for the year	**30,094**	(12,513)

21. FINANCE LEASE RECEIVABLES

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

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

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

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

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

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

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

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

22. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables – contracts with customers	**56,759**	56,134
Less: Allowance for ECLs	**(37,130)**	(34,889)
	19,629	21,245

The trade receivables are related to sales of construction materials. The credit period granted to customers is generally 90 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	2020 HK$'000	2019 HK$'000
Over 1 year	**56,759**	56,134

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$19,629,000 (2019: HK$21,245,000) which are past due as at the reporting date. Out of the past due balances, HK$19,629,000 (2019: HK$21,245,000) has been past due 90 days or more and is not considered as in default since the management considered the past due balances can be repaid based on repayment history.

Reconciliation of allowance for ECLs of trade receivables:

	2020 HK$'000	2019 HK$'000
At 1 January	**34,889**	33,653
Increase in loss allowance for the year	**–**	3,809
Exchange differences	**2,241**	(2,573)
At 31 December	**37,130**	34,889

The Group applies the simplified approach under HKFRS 9 to provide for ECLs using the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information.

22. TRADE RECEIVABLES (continued)

	Over 1 year past due HK$'000
At 31 December 2020	
Weighted average expected credit rate	65%
Trade receivable amount	56,759
Allowance for ECLs	(37,130)
At 31 December 2019	
Weighted average expected credit rate	62%
Trade receivable amount	56,134
Allowance for ECLs	(34,889)

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Prepayments	**555**	982
Promissory note interest receivables	**6,784**	4,870
Deposits and other receivables	**3,052**	11,753
	10,391	17,605
Non-current portion	**(333)**	(229)
Current portion	**10,058**	17,376

24. PROMISSORY NOTE RECEIVABLES

The promissory note in principal amount of HK$89,000,000 was issued during the year ended 31 December 2017 with an original maturity date of 15 June 2018. During the year ended 31 December 2018, the settlement date of the promissory note has extended and the maturity date is 15 June 2019. During the years ended 31 December 2019 and 2020, the Group is under negotiation with the promissory note holders to extend maturity date and an impairment loss of HK$26,700,000 was recognised.

Interest rate	**2020** **HK$'000**	2019 HK$'000
2.15% per annum	**62,300**	62,300

25. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

Breakdown of balances with related companies is as follows:

	Notes	2020 HK$'000	2019 HK$'000
Loans from related companies			
AVIC International (HK) Group Limited	(i), (v)	–	148,013
Catic International Finance Limited	(ii), (v)	–	293,808
AVIC Joy Air (HK) Group Limited	(iii), (v)	–	460,879
幸福航空控股有限公司	(iv), (v)	–	119,905
Citychamp Watch & Jewellery Group Limited	(vi)	**340**	–
Sincere View	(v), (vii)	**810,374**	–
		810,714	1,022,605
Non-current portion		–	(815,626)
Current portion		**810,714**	206,979

Notes:

(i) The loan is unsecured, bears interest at 5% per annum and is repayable in 2021.

(ii) The loan is unsecured, bears interest at 5.6% per annum, of which approximately HK$206,734,000 is repayable in 2021 while the remaining balances will be repaid in 2020.

(iii) The loan is unsecured, bears interest at 5.6% & 5% per annum and is repayable in 2021.

(iv) The loan is unsecured, non-interest bearing and is repayable in 2020.

(v) The above related companies are former substantial shareholders of the Company ("**Former Shareholders**") or entities controlled by Former Shareholders, whose ultimate holding company is Aviation Industry Corporation of China, Ltd* (中國航空工業集團有限公司). On 15 September 2020, pursuant to a share purchase and loan transfer agreement entered between those Former Shareholders and Sincere View, Sincere View agreed to acquire entire shares and aforesaid loans from related companies from Former Shareholders. Accordingly, Sincere View becomes a substantial shareholder of the Company.

(vi) Sincere View is one of the substantial shareholder of the related company, and the loan is unsecured, non-interest bearing and no fixed repayment period.

(vii) The loans are unsecured, of which approximately HK$657,347,000 is repayable in 2021 and bears interest at 5.6175% per annum, and of which HK$1,000,000 is repayable in 2021 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 Sincere View to the Board of the Company dated 22 March 2021, in order to provide continuous financial support to the Company, Sincere View will not demand repayment of the aforesaid loans nor any interest to be incurred during the period from 1 January 2021 to 31 December 2022.

* *English translation for reference only.*

25. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS (continued)

Breakdown of balances with non-controlling shareholders is as follows:

	2020 HK$'000	2019 HK$'000
Loans from non-controlling shareholders		
Kingfun Investment Limited	**16,887**	16,637
Yada Investment Limited	**15,456**	15,552
Current portion	**32,343**	32,189

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

26. CONTRACT COSTS

	2020 HK$'000	2019 HK$'000
Pre-contract/setup costs to fulfill contracts in relation to land development services incurred to date	**315,446**	285,352

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

27. BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Bank balances and cash	**39,665**	33,051

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounting to HK$37,840,000 (2019: HK$30,392,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

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

	2020	2019
	HK$'000	HK$'000
Over 120 days	**7,874**	8,550

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

29. OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK$'000	HK$'000
Other payables and accruals	**16,662**	23,537
Loan interest payables to related companies	**131,316**	91,928
Loan interest payables on other borrowings	**8,219**	4,895
Loan interest payables on bank borrowings	**11,527**	7,127
	167,724	127,487

Note: Other payables and accruals are non-interest-bearing and mainly comprised of security deposits received from finance lease's lessee and accruals for operating expenses.

30. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**913**	1,561	**886**	1,492
In the second year	**77**	858	**76**	833
In the third to fifth years	**–**	72	**–**	71
	990	2,491	**962**	2,396
Less: future finance charges	**(28)**	(95)		
Present value of lease liabilities	**962**	2,396		
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(886)**	(1,492)		
Amount due for settlement after 12 months	**76**	904		

At 31 December 2020, the average effective borrowing rate was 4.5% (2019: 4.5%). Interest rates are fixed at the contract rates and thus expose the Group to fair value interest rate risk.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020				2019			
	Variable interest rate (%)	**Fixed interest rate (%)**	**Maturity**	**HK$'000**	Variable interest rate (%)	Fixed interest rate (%)	Maturity	HK$'000
Current								
Bank borrowings – unsecured	**N/A**	**5.7–6.65**	**2021**	**165,674**	N/A	5.7–6.65	2020	6,720
Bank borrowings – secured (a)	**4.99–5.7**	**N/A**	**2021**	**22,562**	4.41–5.94	N/A	2020	111,914
Other borrowing – unsecured (b)	**N/A**	**5.2**	**On demand**	**25,047**	N/A	5.2	On demand	84,000
				213,283				202,634
Non-current								
Bank borrowings – unsecured	**–**	**–**	**–**	**–**	N/A	5.7–6.65	2021	155,680
Bank borrowings – secured (a)	**4.99–5.7**	**N/A**	**2022–2023**	**20,190**	4.41–5.94	N/A	2021–2023	40,181
				20,190				195,861
				233,473				398,495

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year	**188,236**	118,634
In the second year	**19,425**	176,889
In the third to fifth year, inclusive	**765**	18,972
	208,426	314,495
Other borrowings repayable:		
Within one year – with repayable on demand clause	**25,047**	84,000
	25,047	84,000
	233,473	398,495
Less: Amounts shown under current liabilities	**(213,283)**	(202,634)
Amounts shown under non-current liabilities	**20,190**	195,861

Notes:

(a) Certain of the bank borrowings are secured by the Group's finance lease receivables with an aggregate carrying amount of HK$53,222,000 (2019: HK$171,293,000) (notes 20 and 21).

(b) On 17 November 2016, the Group issued convertible bonds with principal amounts of HK$140,000,000. Any convertible bond not converted will be redeemed at par in two years, after the dates of issuance or will be further extended as agreed between the bondholders and the Group. On 17 November 2018, the convertible bonds remained unexercised upon maturity. The convertible bonds held by 2 bondholders with total principal amount of HK$56,000,000 has been repaid on 17 November 2019. While the remaining convertible bonds with principal amount of HK$84,000,000 is considered as past due and repayable on demand, and these were transferred to other borrowings in 2018. In April 2020, the Company received repayment demand letters from the legal advisers of the bondholders of these convertible bonds requesting the Company to repay the outstanding amounts. During the year ended 31 December 2020, The Company repaid partial principal amounts of approximately HK$58,953,000 to bondholders. The Company continues making its best endeavors to negotiate the repayment schedule with these bondholders.

(c) All bank borrowings are denominated in RMB and other borrowings are denominated in RMB and HK$.

32. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Temporary difference in respect of intangible assets HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2019	135,046	724	135,770
Deferred tax credited to profit or loss during the year (Note 9)	(78,796)	–	(78,796)
Disposal of subsidiaries	–	(492)	(492)
At 31 December 2019 and 1 January 2020	56,250	232	56,482
Deferred tax credited to profit or loss during the year (Note 9)	(56,250)	–	(56,250)
Deferred tax liabilities at 31 December 2020	–	232	232

At 31 December 2020, the Group had estimated tax losses arising in Hong Kong of approximately HK$146,235,000 (2019: HK$146,235,000) and in the PRC of approximately HK$577,177,000 (2019: HK$562,020,000), which are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, due to unpredictability on future profits streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

For the year ended 31 December 2020 and 2019, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would not pay out all their earnings as dividends. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$10,398,000 (2019: HK$18,877,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

	2020	2019
	HK$'000	HK$'000
Issued and fully paid:		
5,943,745,741 ordinary shares	**2,234,815**	2,234,815

All the shares issued during the year rank pari passu in all respects with the existing shares. A summary of movements in the Company's share capital is as follows:

	Number of share in issue	**Share capital**	**Total**
		HK$'000	HK$'000
At 1 January 2019, 31 December 2019 and 31 December 2020	5,943,745,741	2,234,815	2,234,815

Details of the Company's share option scheme and the share options issued under the Company's expired share option scheme are included in note 34 to the consolidated financial statements.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 15 April 2005 and expired on 14 April 2015 upon the expiry of the 10-year period. No further options was granted but in all other aspects, the provisions of the Scheme shall remain in full force and effect, for options which were granted during the life of the Scheme, and may continue to be exercisable in accordance with their respective terms of issue.

For the sake of the continuity of a share option scheme for the Company to provide incentives and/or reward to the eligible participants including directors, business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees or sub-licensees, distributors, landlords or tenants or sub-tenants of the Company, or any person who, in the sole discretion of the Board, has contributed or may contribute to the Company. The Shareholders passed an ordinary resolution at the annual general meeting of the Company held on 25 June 2015 to approve the adoption of the new share option scheme (the "**New Share Option Scheme**") for 10 years period from its adoption date in substantially similar terms as those of the Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any eligible participants options to subscribe for shares subject to the terms and conditions stipulated in the New Share Option Scheme.

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme up to the date of this annual report is 593,624,574, that is, upon their exercise, equivalent to 10% of the shares of the Company in issue as at the date of the Company's annual general meeting on 25 June 2015. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

34. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options but subject to the provisions for early termination of the New Share Option Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The movements in share options under the Scheme during the year are as follows:

	2020		2019	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.23**	**206,250**	0.23	206,250
Lapse during the year	**0.23**	**(206,250)**	0.23	–
At 31 December	**–**	**–**	0.23	206,250

The exercise prices and exercise periods of the share options outstanding as at 31 December 2020 and 2019 are as follows:

2020

No outstanding share option as at 31 December 2020.

2019

Number of options '000	**Grantees**	**Exercise price* HK$ per share**	**Exercise period**
206,250	Employees and consultants	0.227	31.8.2010 to 30.8.2020
206,250			

* 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.

At the date of approval of these financial statements, the Company had Nil (2019: 206,250,000) share options outstanding under the Scheme, which represented Nil (2019: approximately 3.5%) of the Company's shares in issue as at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's reserve funds represent the Group's share of the statutory surplus reserve funds of certain subsidiaries operating as co-operative joint ventures/foreign investment enterprises in Mainland China. Pursuant to these subsidiaries' articles of association and the PRC Company Law, each of these subsidiaries shall make an allocation from its profit after tax at the rate of 10% to the statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Part of the statutory surplus reserve may be capitalised as the subsidiaries' registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the subsidiaries. The statutory reserve is non-distributable other than in the event of liquidation.

The special capital reserve represents the undertaking given by the Company in connection with the capital reduction during the year ended 31 March 2000. The special capital reserve shall not be treated as realised profits and shall be treated as an undistributable reserve as long as there shall remain any outstanding debts or claim which were in existence on the date of the cancellation of the shares of the Company pursuant to the capital reduction, provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking and the Company may apply that part so released as a distributable reserve.

The capital reserve represents the excess of consideration over the proportion of net assets held by non-controlling shareholders from the partial disposal of Spotwin Investment Limited, an indirect non-wholly-owned subsidiary of the Group in previous years.

36. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2020 **HK$'000**	2019 HK$'000
Property, plant and equipment		
Contracted but not provided for:	**2,883**	1,746
Share of capital commitments of joint ventures	**10,586**	15,464

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2020 HK$'000**	2019 HK$'000
Interest expenses to related companies	(i)	**–**	31,808
Interest expenses to a substantial shareholder of the Company	(ii)	**38,339**	–
Interest expenses to non-controlling shareholders	(iii)	**–**	5,646
Interest income from joint ventures		**–**	3,080

Notes:

(i) The interest expenses paid to related companies whose are Company's substantial shareholders or entities controlled by Company's substantial shareholders were charged at an interest rate ranging from 5% to 5.8% per annum.

(ii) The interest expenses paid to a substantial shareholder of the Company were charged at an interest rate ranging from 5% to 5.6175% per annum.

(iii) The interest expenses paid to non-controlling shareholders were charged at interest rate of 5% per annum.

(b) Other transactions and outstanding balances with related parties:

Details of the Group's balances with joint ventures, non-controlling shareholders and related companies are included in the respective notes to the financial statements.

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

	2020 HK$'000	2019 HK$'000
Short term employee benefits and total compensation paid to key management personnel	**1,100**	832

Further details of directors' and chief executives' emoluments are included in note 12 to the financial statements.

38. DISPOSAL OF SUBSIDIARIES

(a) On 4 February 2020, the Group has entered into an equity transaction agreement with an independent third party, for the disposal of its entire equity interest in Shanghai Shangju. The disposal has been completed on 30 March 2020. The net assets at the date of disposal were as follows:

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

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

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

38. DISPOSAL OF SUBSIDIARIES (continued)

(b) On 24 April 2020, the Group has entered into a share transfer agreement with an independent third party, for the disposal of its entire equity interest in Wai Cheong Watch Dial Works Limited ("**Wai Cheong**") at a consideration of HK$1,360,000. The disposal has been completed on 22 May 2020. The net assets at the date of disposal were as follows:

	Note	**Total** HK$'000
Net assets disposed of:		
Property, plant and equipment	15	2,243
Prepayments, deposits and other receivables		148
Other payables and accruals		(45)
		2,346
Loss on disposal of subsidiaries:		
Consideration received		1,360
Net assets disposed of		(2,346)
Direct costs to the disposal		(166)
		(1,152)
Satisfied by:		
Cash		1,360

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

	HK$'000
Cash consideration	1,360
Bank balances and cash disposed of	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,360

39. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Amortised cost	**259,084**	258,366
Financial liabilities		
Amortised costs	**1,267,429**	1,602,600

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, loans from related companies and non-controlling shareholders and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, trade payables, other payables and accruals, promissory notes receivables, amounts due from joint ventures and amounts due to joint ventures, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

The carrying amounts of the bank balances and cash, trade receivables, deposits and other receivables, finance lease receivables, promissory note receivables and amounts due from joint ventures included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from joint ventures are closely monitored by the directors.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2020 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and finance lease receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade other receivables, finance lease receivables, promissory note receivables and amounts due from joint ventures which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the ECL rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Other receivables HK$'000	**Finance lease receivables** HK$'000	**Promissory note receivables** HK$'000	**Amounts due from joint ventures** HK$'000	**Total** HK$'000
Balance at 31 December 2020	8,798	53,222	89,000	128,692	279,712
Loss allowances	–	–	(26,700)	–	(26,700)
Carrying amounts	8,798	53,222	62,300	128,692	253,012
Balance at 31 December 2019	13,376	142,927	89,000	132,394	377,697
Loss allowances	–	(3,000)	(26,700)	(4,000)	(33,700)
Carrying amounts	13,376	139,927	62,300	128,394	343,997

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

ECL rate					
2020	**–**	**–**	**30%**	**–**	**10%**
2019	–	2%	30%	3%	9%

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Reconciliation of allowance for ECLs of other receivables, finance lease receivables, promissory note receivables and amounts due from joint ventures

	Other receivables HK$'000	Finance lease receivables HK$'000	Promissory note receivables HK$'000	Amounts due from joint ventures HK$'000	Total HK$'000
Loss allowance at 1 January 2019	–	–	–	–	–
Increase in provision in 2019	57	3,000	26,700	4,000	33,757
Reclassified as held for sale	(57)	–	–	–	–
Loss allowance at 31 December 2019	–	3,000	26,700	4,000	33,700
Decrease in provision in 2020	–	(3,000)	–	(4,000)	(7,000)
Loss allowance at 31 December 2020	–	–	26,700	–	26,700

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Total HK$'000
2020					
Trade payables	**N/A**	**7,874**	**–**	**7,874**	**7,874**
Other payables	**N/A**	**167,327**	**–**	**167,327**	**167,327**
Loans from joint ventures	**N/A**	**15,698**	**–**	**15,698**	**15,698**
Loans from non-controlling shareholders	**N/A**	**32,343**	**–**	**32,343**	**32,343**
Loans from related companies	**4.56**	**837,067**	**–**	**837,067**	**810,714**
Interest-bearing bank and other borrowings	**5.98**	**217,769**	**20,738**	**238,507**	**233,473**
		1,278,078	**20,738**	**1,298,816**	**1,267,429**

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk **(continued)**

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flow HK$'000	Total HK$'000
2019					
Trade payables	N/A	8,550	–	8,550	8,550
Other payables	N/A	127,418	–	127,418	127,418
Loans from joint ventures	N/A	13,343	–	13,343	13,343
Loans from non-controlling shareholders	N/A	32,189	–	32,189	32,189
Loans from related companies	5.67	209,472	864,957	1,074,429	1,022,605
Interest-bearing bank and other borrowings	5.36	225,454	201,281	426,735	398,495
		616,426	1,066,238	1,682,664	1,602,600

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's bank deposits and bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans.

At 31 December 2020, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK$160,000 (2019: HK$4,872,000) lower, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK$160,000 (2019: HK$4,872,000) higher, arising mainly as a result of higher interest expense on bank and other borrowings.

(c) Fair value

Management has assessed that the fair values of financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short term maturities of these instruments.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Interest bearing bank and other borrowings HK$'000	Disposal group held for sale – Interest bearing bank and other borrowings HK$'000	Loans from non-controlling shareholders HK$'000	Loans from joint ventures/ related companies HK$'000	Disposal group held for sale – Loans from related companies HK$'000	Loan interest payable to related companies and other borrowings HK$'000	Total HK$'000
At 1 January 2019	6,088	1,684,171	–	307,779	573,718	–	38,536	2,610,292
Financing cash flows	(3,853)	(128,082)	–	–	293,367	–	(94,237)	67,195
Transfer	–	–	–	(275,552)	250,880	–	24,672	–
Reclassified to liabilities classified as disposal group held for sale	–	(1,131,704)	1,131,704	–	(75,040)	75,040	–	–
Foreign exchange movement	(48)	(30,381)	–	(38)	(6,977)	–	8,817	(28,627)
Interest expense	209	4,491	–	–	–	–	126,162	130,862
At 31 December 2019 and 1 January 2020	2,396	398,495	1,131,704	32,189	1,035,948	75,040	103,950	2,779,722
Financing cash flows	(1,564)	(146,640)	(37,507)	–	(220,919)	(75,040)	(21,899)	(503,569)
Disposals of subsidiaries	–	–	(1,094,197)	–	–	–	–	(1,094,197)
Foreign exchange movement	61	(19,083)	–	154	11,383	–	1,506	(5,979)
Interest expense	69	701	–	–	–	–	67,505	68,275
At 31 December 2020	962	233,473	–	32,343	826,412	–	151,062	1,244,252

42. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of ownership interest to the Company				Principal activities
			Directly		Indirectly		
			2020 %	2019 %	**2020** %	2019 %	
Excellent Top Group Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Guangdong Zi Yu Tai Finance Leasing Company Limited*	PRC/Mainland China	US$100,000,000	**–**	–	**100**	100	Provision of finance lease and loan services
Ontex Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	**–**	–	**60**	60	Provision of land development and sale of construction materials
Dingbo Investment Limited	British Virgin Islands	US$100	**–**	–	**60**	60	Investment holding
Shenzhen Sinogas Environmental Technology Co., Limited*	PRC/Mainland China	RMB20,000,000	**–**	–	**–** **(Note a)**	100	Investment holding
Spotwin Investment Limited	British Virgin Islands/ Hong Kong	US$100	**–**	–	**49.5** **(Note b)**	49.5 (Note b)	Provision of land development and sale of construction materials
Shanghai Shangju	PRC/Mainland China	US$1	**–**	–	**–** **(Note c)**	100	Properties investment

* These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

Notes:

a) During the year ended 31 December 2020, the Group has completed deregistration of Shenzhen Sinogas Environmental Technology Co., Limited.

b) Since the Group holds 60% of the issued share capital of Ontex Enterprises Limited and Dingbo Investment Limited, which directly holds 32.5% and 50% of the issued share capital of Spotwin Investment Limited respectively, so the Group control the composition of the board of the directors of Ontex Enterprises Limited and Dingbo Investment Limited. Therefore it is classified as a subsidiary of the Group.

c) During the year ended 31 December 2020, the Group has disposed of its entire equity interest in Shanghai Shangju (Note 38(a)).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of this year.

During the year, the Group entered into share transfer agreements with third party purchasers, to sell 100% interest in the issued share capital of certain wholly-owned subsidiaries. Details of the disposal are set out in note 38 to the financial statements.

42. PRINCIPAL SUBSIDIARIES (continued)

The table below details of non-wholly owned subsidiary of the Group, which have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
				HK$'000	HK$'000	**HK$'000**	HK$'000
Spotwin Investment Limited	British Virgin Islands	**50.5%**	50.5%	**(93,532)**	(144,289)	**(65,660)**	27,242
Individually immaterial subsidiaries with non-controlling interests				**(9,617)**	84	**(1,501)**	8,116
				(103,149)	(144,205)	**(67,161)**	35,358

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below.

The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2020 HK$'000	31 December 2019 HK$'000
Spotwin Investment Limited and its subsidiaries		
Current assets	**251,967**	278,426
Non-current assets	**187**	225,557
Current liabilities	**(382,174)**	(214,924)
Non-current liabilities	**–**	(235,114)
Net (liabilities)/assets	**(130,020)**	53,945
Equity attributable to owners of the Company	**(64,360)**	26,703
Non-controlling interests	**(65,660)**	27,242
Revenue	**–**	–
Expenses	**(185,213)**	(285,721)
Loss for the year	**(185,213)**	(285,721)
Loss attributable to the non-controlling interests	**(93,532)**	(144,289)
Total comprehensive expense for the year	**(183,965)**	(285,721)
Total comprehensive expense attributable to the non-controlling interests	**(92,902)**	(144,289)

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**18**	52
Right-of-use assets	**–**	714
Investments in subsidiaries	**11,556**	11,556
	11,574	12,322
CURRENT ASSETS		
Prepayments, deposits and other receivables	**603**	2,420
Amounts due from subsidiaries	**69,604**	864,540
Amounts due from joint ventures	**130**	130
Bank balances and cash	**499**	1,230
	70,836	868,320
TOTAL ASSETS	**82,410**	880,642
CURRENT LIABILITIES		
Other payables and accruals	**143,413**	99,325
Lease liabilities	**–**	674
Other borrowings	**25,047**	84,000
Loans from related companies	**658,736**	87,074
Amounts due to subsidiaries	**180,601**	50,055
	1,007,797	321,128
NET CURRENT (LIABILITIES)/ASSETS	**(936,961)**	547,192
TOTAL ASSETS LESS CURRENT LIABILITIES	**(925,387)**	559,514

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2020 **HK$'000**	2019 HK$'000
NON-CURRENT LIABILITIES		
Loans from related companies	–	792,442
	–	792,442
NET LIABILITIES	**(925,387)**	(232,928)
CAPITAL AND RESERVES		
Share capital	**2,234,815**	2,234,815
Other reserves	**(3,160,202)**	(2,467,743)
	(925,387)	(232,928)

Chan Hon Wai
Director

Chang Chien
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

A summary of the Company's reserves is as follows:

	Share option reserve HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	14,114	823,357	(2,597,351)	(1,759,880)
Loss and total comprehensive expense for the year	–	–	(707,863)	(707,863)
At 31 December 2019 and 1 January 2020	14,114	823,357	(3,305,214)	(2,467,743)
Loss and total comprehensive expense for the year	–	–	(692,459)	(692,459)
Transfer upon forfeiture of options	(14,114)	–	14,114	–
At 31 December 2020	–	823,357	(3,983,559)	(3,160,202)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 4 to the consolidated financial statements. The amount will be transferred to the accumulated losses when the related options are exercised or forfeited, or expire.

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, loan from China Joy Airlines (HK) Holdings Limited, a related company, amounted to HK$213,750,000 and loan from Sanmax Investment Limited, a non-controlling shareholder, amounted to HK$275,552,000 have been transferred to AVIC Joy Air (HK) Group Limited and interest payable to AVIC Joy Air (HK) Group Limited with amounts of HK$464,630,000 and HK$24,672,000 respectively as the title to receive the repayment of such loans was transferred to AVIC Joy Air (HK) Group Limited.

45. EVENTS AFTER THE REPORTING PERIOD

In January 2021, the Group has been notified by a bank that, the loan agreement dated 27 December 2019 entered into between a subsidiary of the Company and the bank has overdue, with an outstanding principal amount of RMB95,000,000. The Company is in active discussions with the bank for a potential resolution. Further details are set out in the announcement of the Company dated 28 January 2021.

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**5,903**	62,419	139,822	252,606	357,628
LOSS BEFORE TAX	**(243,448)**	(663,395)	(801,112)	(310,186)	(264,316)
Income tax credit/(expense)	**54,737**	78,430	104,629	(8,249)	(1,030)
LOSS FOR THE YEAR	**(188,711)**	(584,965)	(696,483)	(318,435)	(265,346)
Attributable to:					
Owners of the Company	**(85,562)**	(440,760)	(517,071)	(302,643)	(259,711)
Non-controlling interests	**(103,149)**	(144,205)	(179,412)	(15,792)	(5,635)
	(188,711)	(584,965)	(696,483)	(318,435)	(265,346)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**703,982**	2,526,115	3,088,674	4,058,098	4,292,751
Total liabilities	**(1,273,126)**	(2,872,636)	(2,813,238)	(2,993,002)	(2,960,235)
Non-controlling interests	**67,161**	(35,358)	(192,785)	(380,259)	(394,577)
	(501,983)	(381,879)	82,651	684,837	937,939