

# 2016

Interim Report



**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)**



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## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six-month ended 30 June 2016, the principal business activities of the Company and its subsidiaries (the "Group") comprises operation of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") vehicle refueling stations, provision of finance lease and loan financing services and properties investment, class 1 land development services and sales of construction materials in the People's Republic of China (the "PRC").

During the period, the consolidated revenue of the Group amounted to HK\$138,870,000 (2015: HK\$751,518,000), representing a decrease of 81.5% as compared with last period. The decrease was mainly due to the reduction in revenue contribution from gas segment subsequent to the completion of the disposal of certain gas business in 2015 as disclosed in the circular of the Company dated 25 February 2015.

The Group's gross profit for the period was HK\$36,107,000 (2015: HK\$114,426,000), representing a decrease of 68.4% compared to the last period, with the gross profit margin improved from 15.2% to 26%. The finance cost of the Group increased by approximately 76.6% to HK\$70,512,000 (2015: HK\$39,932,000) mainly due to the additional interest expense incurred for the property mortgage loan in Shanghai.

The net loss of the Group reduced to HK\$71,175,000 during the period as compared with the net loss of HK\$185,708,000 in the same period of last year. The decrease in net loss was mainly attributable to: (i) fair value gain on investment properties; and (ii) the fact that there was a significant impairment of goodwill, and property, plant and equipment relating to gas business amounted to HK\$105,686,000 in the same period of last year.

## Operational Review

### (1) Gas Business

Resulting from the restructure of gas business of the Group, along with China's economic slowdown and sluggish energy prices, the performance of gas business deteriorated as expected. The total revenue of the gas business reduced to HK\$119,475,000 during the period (2015: HK\$674,695,000), representing a decline of 82.3% from last period mainly because the sales volume of CNG dropped from 92,992,500 m<sup>3</sup> to 36,214,600 m<sup>3</sup> compared to the last period.

### (2) Finance Leasing Business and Properties Investment

For the six-month ended 30 June 2016, the revenue of finance leasing business amounted to HK\$6,638,000 (2015: HK\$8,632,000). The decrease in revenue was due to the fact that the interest income proportion was reducing as the existing finance leasing contracts are close to maturity, and also fewer projects were being taken up during the period due to intense market competition and tightened credit policy.

In the first half of 2016, the Shanghai Grade-A office markets remained stable with strong leasing demand in core business district. During the period, the commercial building has not yet generated rental income as the Group was formulating plans to maximize its overall business value for the Group.

### (3) PPP Class 1 Land Development Business and Trading of Construction Materials

The land development business in Fuqing City, Fujian Province comprise class 1 land development of New Central Coastal City (中部濱海新城) and the construction of Ronggang Boulevard (融港大道) (the "Project"). During the period, the business segment generated revenue from trading of construction materials of HK\$12,757,000 to the Group (2015: HK\$35,501,000).

## Business Outlook

The business environment is expected to remain difficult, amid the economic slowdown in China. It is expected that the sluggish energy prices and keen market competition will continue to squeeze the profitability on the Group's natural gas business, the Group will strive to overcome the difficult operating environment, and look for more effective ways to deploy its resources.

In the first half of 2016, the Government of Guangdong Province issued "Opinions on Accelerating the Development of Financial Leasing Industry" (關於加快融資租賃業發展的實施意見) to encourage the future development of finance leasing industry. The industry guidance and national policies in favor of finance leasing industry in Guangzhou Province is expected to support the growth of finance leasing business.

According to the 13th Five-Year Plan on National Economic and Social Development of Fuqing City, Fuqing is to be developed into a new city which integrates, inter alia, high-tech companies, cultural and tourism industries, corporate headquarters. The Group will position itself to capitalize on the business opportunities arising from the development plan of the local government to maximize the project value.

## Financial Resources

As at 30 June 2016, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from a related company, loan from non-controlling shareholders and convertible bonds) amounted to approximately HK\$2,851.8 million (31 December 2015: HK\$2,859.3 million), of which HK\$1,971.3 million (31 December 2015: HK\$1,979.5 million) was related to bank borrowings at operating subsidiaries level funding the local PRC operations and the new mortgage loan for Shanghai property acquisition dominated in Renminbi. Cash and bank balances amounted to HK\$433 million (31 December 2015: HK\$446.5 million). Net borrowing amounted to HK\$2,418.8 million (31 December 2015: HK\$2,412.8 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net borrowing divided by equity attributable to owners of the parent of HK\$1,114.5 million (31 December 2015: HK\$1,287.6 million) plus net borrowing, was 68.5% (31 December 2015: 65.2%).

## Interim Dividend

The Board does not recommend the payment of interim dividend for the six-month ended 30 June 2016 (2015: Nil).

## **Material Acquisition and Disposal**

The Group had no material acquisitions or disposals during the period.

## **Staff Benefits**

As at 30 June 2016, the Group had a total of 553 employees (2015: 1,383). The staff costs for the six-month ended 30 June 2016 amounted to approximately HK\$19.5 million (2015: HK\$57.4 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme. The Company has adopted share option schemes whereby eligible participants may be granted options to acquire shares of the Company. There was no major change on staff remuneration policies during the period.

## **Human Resources**

The Group remunerates and promotes employees according to a balanced mechanism based on individual performance, experience, professional qualification and prevailing market practices. The Group also provides internal training and subsidizes continuing study for employees as part of the welfare and incentive system which aims at encouraging employees to pursue life-long study which lays a solid foundation for the sustainable development of the Group.

## **Pledge of Assets**

As at 30 June 2016, the Group had pledged certain land use rights, properties and finance lease receivables for bank borrowings granted.

By order of the Board

### **Wang Xiaowei**

*Chief Executive Officer and Executive Director*

Hong Kong, 26 August 2016

*As of the date of this interim report, the Board of the Company comprises Mr. Zhu Dong (Chairman), Mr. Wang Xiaowei (Chief Executive Officer), Mr. Zang Zheng and Mr. Xiao Wei as executive Directors; and Mr. Hu Xiaowen, Mr. Gong Changhui and Mr. Wu Meng as independent non-executive Directors.*



## OTHER INFORMATION

### DIRECTORS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and long/short positions of the directors of the Company (the "Directors") in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required being kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Numbers of shares interested, capacity and nature of interest:

Name of Director	Through spouse or minor children	Total	Percentage of the Company's share capital (Note #)
Zhu Dong*	1,740,000	1,740,000 (L)	0.03%

\* Mrs. Zhu, the spouse of Mr. Zhu Dong, is the beneficial owner of those shares, and so Mr. Zhu is deemed to be interested in 1,740,000 shares of the Company under the SFO.

## DIRECTORS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Numbers of underlying shares interested, capacity and nature of interest:

Name of Director	Number of share options directly beneficially owned	Number of shares may be fully allotted and issued if share options are exercised	Percentage of the Company's share capital (Note #)
Wang Xiaowei	8,980,000	8,980,000 (L)	0.15%

(L) denotes as "long position"

Note:

# No. of total issued shares as at 30 June 2016 is 5,943,745,741 ordinary shares.

Save as disclosed above, as at 30 June 2016, none of the Directors had registered an interest or a short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required being kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

### SHARE OPTION SCHEME

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The share option scheme adopted by the Company on 15 April 2005 (the "**Old Share Option Scheme**") for a term of ten years expired on 14 April 2015. The share options that had been granted under the Old Share Option Scheme and remained outstanding as at the date of expiry of the Old Share Option Scheme remain valid and exercisable subject to and in accordance with their respective terms of issue and the terms of the Old Share Option Scheme.

To enable the Company to continue to grant share options as an incentive or reward to eligible persons, a new share option scheme was adopted by the Company on 25 June 2015 (the "**New Share Option Scheme**"). Up to the date of this report, no share option has been granted under the New Share Option Scheme.



## SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options, which were granted under the Old Share Option Scheme, during the period under review:

Name or category of participant	Number of share options					At 30 June 2016	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options HK\$ per share (note 2)
	At 1 January 2016	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
<b>Directors</b>									
Wang Xiaowei	4,490,000	-	-	-	-	4,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	4,490,000	-	-	-	-	4,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	8,980,000	-	-	-	-	8,980,000			
<b>Consultants</b>									
In aggregate	150,000,000	-	-	-	-	150,000,000	31-8-10	31-8-10 to 30-8-20	0.227
<b>Employees</b>									
In aggregate	86,250,000	-	-	-	(30,000,000)	56,250,000	31-8-10	31-8-10 to 30-8-20	0.227
	245,230,000	-	-	-	(30,000,000)	215,230,000			

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.

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

As at the date of this report, the following interests and long/short positions of 5% or more of the shares and convertible bonds of the Company were recorded in the register of interests required being kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's share capital if the convertible shares were exercised
Billirich Investment Limited ("Billirich")	(a)	Long	Beneficial owner	1,031,595,000	17.36%	225,112,486	3.79%
AVIC International Holding (HK) Limited ("AVIC Int'l")	(a)	Long	Interest of a controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
Tacko International Limited	(a)	Long	Interest of a controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of a controlled corporation	1,535,618,891	25.84%	225,112,486	3.79%
Sanmax Investment Limited	(b)	Long	Beneficial owner	-	-	1,138,931,082	19.16%
China Joy Airlines (HK) Holdings Ltd.	(b)	Long	Interest of a controlled corporation	-	-	1,138,931,082	19.16%
AVIC Joy Air Holdings Limited	(c)	Long	Beneficial owner	60,810,000	1.02%	-	-
AVIC Joy Air (HK) Holdings Limited	(b), (c)	Long	Interest of a controlled corporation	60,810,000	1.02%	1,138,931,082	19.16%
幸福航空控股有限公司	(b), (c)	Long	Interest of a controlled corporation	60,810,000	1.02%	1,138,931,082	19.16%
AVIC International Holding Corporation	(a), (b), (c)	Long	Interest of a controlled corporation	1,596,428,891	26.86%	1,364,043,568	22.95%
Aviation Industry Corporation of China ("AVIC")	(a), (b), (c)	Long	Interest of a controlled corporation	1,596,428,891	26.86%	1,364,043,568	22.95%
Grand Win Overseas Ltd. ("Grand Win")	(d)	Long	Beneficial owner	313,965,000	5.28%	-	-
Sun Shining Investment Corp.	(d)	Long	Interest of a controlled corporation	313,965,000	5.28%	-	-
Tai Yuen Textile Company Ltd.	(d)	Long	Interest of a controlled corporation	313,965,000	5.28%	-	-

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)**

Notes:

- (a) Billirich is a wholly-owned subsidiary of AVIC Int'l. Tacko International Limited, together with its wholly-owned subsidiary, hold in aggregate approximately 34.34% of the issued share capital of AVIC Int'l. Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a non-wholly-owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the shares and convertible shares held by Billirich.
- (b) Sanmax Investment Limited is a wholly-owned subsidiary of China Joy Airlines (HK) Holdings Ltd., which in turn is a wholly-owned subsidiary of AVIC Joy Air (HK) Holdings Limited. AVIC Joy Air (HK) Holdings Limited is a wholly-owned subsidiary of 幸福航空控股有限公司, which is owned as to approximately 57.14% by AVIC and approximately 42.86% by AVIC International Holding Corporation, which is a non-wholly-owned subsidiary of AVIC (62.52% interest controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the convertible shares held by Sanmax Investment Limited.
- (c) AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Holdings Limited, which in turn is a wholly-owned subsidiary of 幸福航空控股有限公司. 幸福航空控股有限公司 is owned as to approximately 57.14% by AVIC and approximately 42.86% by AVIC International Holding Corporation, which is a non-wholly-owned subsidiary of AVIC (62.52% interest controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the shares held by AVIC Joy Air Holdings Limited.
- (d) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 82.85% equity interest in Sun Shining Investment Corp. and therefore, these corporations are deemed to be interested in the shares held by Grand Win.

Save as disclosed above, as at the date of this report, no person, other than the Directors, whose interests are set out in the section "Directors' interests and long/short positions in shares and underlying shares" above, had registered an interest or a long/short position in the shares or underlying shares of the Company that was required being recorded pursuant to Section 336 of the SFO.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

## **CORPORATE GOVERNANCE PRACTICES**

The Board is of the view that 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 on the Stock Exchange during the six months ended 30 June 2016, save and except as hereunder:

- (i) all non-executive Directors (including independent non-executive Directors) of the Company have not been appointed for a specific terms as provided for in code provision A.4.1 of the CG Code. However, the non-executive Directors of the Company are subject to retirement and being eligible for re-election at least once every three years in accordance with the articles of association of the Company;
- (ii) code provision A.6.7 of the CG Code stipulates that independent non-executive Directors should attend general meetings. Due to other business engagements in the PRC, not all independent non-executive Directors were able to attend the annual general meeting of the Company held on 28 June 2016; and
- (iii) code provision D.1.4 of the CG Code stipulates that the company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors, however, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the articles of association of the Company. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Hong Kong Companies Ordinance (Cap. 622), legal and other regulatory requirements, if applicable.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the period under review.

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information on Directors' biography during the six months ended 30 June 2016 and up to the date of this report are set out as below:

<b>Name of Director</b>	<b>Details of changes</b>
Mr. Hu Xiaowen	– Served as the Chief Financial Officer of 北京中財龍馬投資管理有限公司 (Beijing Longmacufe Investment Management Ltd*) with effect from 8 April 2016.
Mr. Gong Changhui	– Appointed as Software R&D Director and Supervisor of 博睿康科技(常州)股份有限公司 (前稱: 中國常州博睿康科技股份有限公司) Neuracle Technology Co., Ltd.* (formerly known as Changzhou Neuracle Technology Ltd.*) with effect from 21 March 2016.

\* name for identification purpose only

Save as disclosed above, the Company is not aware of other changes in the biographical details of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## AUDIT COMMITTEE

The Audit Committee, comprises all the independent non-executive Directors, for the time being, namely Mr. Hu Xiaowen (chairman of the Audit Committee), Mr. Gong Changhui and Mr. Wu Meng, has reviewed with the management the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters. The Group's unaudited interim condensed consolidated financial statements for the period have been reviewed by the Audit Committee, which is of the opinion that such financial statements complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the Audit Committee. The figures in respect of this preliminary report of the Group's results for the six months ended 30 June 2016 have been agreed with the Company's auditor, Ernst & Young, to the amounts set out in the Group's unaudited consolidated financial statements for the period under review. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this report.

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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**To the board of directors of AVIC Joy Holdings (HK) Limited**  
(Incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 15 to 46, which comprise the interim condensed consolidated statement of financial position of AVIC Joy Holdings (HK) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primary of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared as at 30 June 2016, in all material respects, in accordance with HKAS 34.

## **Ernst & Young**

*Certified Public Accountants*

Hong Kong

26 August 2016



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited and restated) HK\$'000
REVENUE	5	<b>138,870</b>	751,518
Cost of sales		<b>(102,763)</b>	(637,092)
Gross profit		<b>36,107</b>	114,426
Other income and gain	5	<b>4,387</b>	35,790
Selling and distribution expenses		<b>(17,243)</b>	(54,865)
Administrative expenses		<b>(48,043)</b>	(108,229)
Other operating expenses, net		<b>(17,808)</b>	(32,019)
Fair value gains/(losses) on investment properties		<b>34,986</b>	(7,694)
Finance costs	6	<b>(70,512)</b>	(39,932)
Impairment of goodwill		-	(83,241)
Loss on disposals of subsidiaries		-	(1,463)
Share of profits and losses of joint ventures		<b>1,059</b>	1,572
Share of profits and losses of associates		<b>7,211</b>	(4,257)
LOSS BEFORE TAX	7	<b>(69,856)</b>	(179,912)
Income tax expense	8	<b>(1,319)</b>	(5,796)
LOSS FOR THE PERIOD		<b>(71,175)</b>	(185,708)
Attributable to:			
Owners of the parent		<b>(68,319)</b>	(182,989)
Non-controlling interests		<b>(2,856)</b>	(2,719)
		<b>(71,175)</b>	(185,708)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<b>HK(1.15) cents</b>	HK(3.76) cents

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	2016	2015
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<b>(71,175)</b>	(185,708)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	<b>(100,289)</b>	74,800
Exchange differences on translation of foreign operations	<b>(4,581)</b>	(5,239)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>(104,870)</b>	69,561
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<b>(176,045)</b>	(116,147)
Attributable to:		
Owners of the parent	<b>(173,075)</b>	(113,485)
Non-controlling interests	<b>(2,970)</b>	(2,662)
	<b>(176,045)</b>	(116,147)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
	Notes	<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>108,808</b>	128,653
Investment properties		<b>1,993,329</b>	2,010,548
Prepaid land lease payments		<b>9,234</b>	9,670
Goodwill		<b>87,242</b>	87,242
Intangible assets		<b>964,702</b>	964,764
Investments in joint ventures		<b>54,717</b>	53,658
Investments in associates		<b>60,664</b>	53,653
Available-for-sale investment		<b>107,491</b>	207,780
Other asset		<b>2,680</b>	2,680
Prepayments and deposits		–	19,576
Finance lease receivables	12	<b>11,800</b>	–
Promissory notes receivable		<b>175,500</b>	256,514
<b>Total non-current assets</b>		<b>3,576,167</b>	3,794,738
<b>CURRENT ASSETS</b>			
Inventories		<b>3,538</b>	2,871
Contract for services	13	<b>109,071</b>	96,429
Trade and bills receivables	11	<b>12,056</b>	60,846
Prepayments, deposits and other receivables		<b>266,034</b>	215,846
Finance lease receivables	12	<b>3,370</b>	1,208
Promissory notes receivable		<b>94,088</b>	85,314
Due from joint ventures		<b>219,450</b>	240,234
Due from associates		<b>15,819</b>	16,546
Due from non-controlling shareholders		<b>14,806</b>	14,972
Loan receivable from a related company		–	3,581
Cash and bank balances		<b>433,028</b>	446,546
<b>Total current assets</b>		<b>1,171,260</b>	1,184,393

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	<b>16,152</b>	18,057
Deferred income, other payables and accruals		<b>121,309</b>	163,340
Finance lease payable		<b>782</b>	763
Convertible bonds	15	<b>337,362</b>	321,445
Interest-bearing bank and other borrowings		<b>477,216</b>	245,149
Loans from a related company		<b>150,631</b>	251,620
Due to joint ventures		<b>9,004</b>	11,072
Due to associates		<b>1,993</b>	2,720
Tax payable		<b>804</b>	1,804
<b>Total current liabilities</b>		<b>1,115,253</b>	1,015,970
<b>NET CURRENT ASSETS</b>		<b>56,007</b>	168,423
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,632,174</b>	3,963,161
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	15	<b>44,262</b>	42,218
Finance lease payable		<b>1,533</b>	1,929
Interest-bearing bank and other borrowings		<b>1,496,217</b>	1,736,491
Loans from a related company		<b>293,024</b>	223,820
Loans from non-controlling shareholders		<b>53,120</b>	38,640
Deferred tax liabilities		<b>245,054</b>	245,054
<b>Total non-current liabilities</b>		<b>2,133,210</b>	2,288,152
<b>Net assets</b>		<b>1,498,964</b>	1,675,009
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	16	<b>2,232,696</b>	2,232,696
Equity component of convertible bonds	15	<b>90,139</b>	90,139
Other reserves		<b>(1,208,344)</b>	(1,035,269)
<b>Non-controlling interests</b>		<b>1,114,491</b>	1,287,566
		<b>384,473</b>	387,443
<b>Total equity</b>		<b>1,498,964</b>	1,675,009

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Share capital HK\$'000	Share option reserve HK\$'000	Equity component of convertible bonds HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2015											
As previously reported	1,729,752	41,349	83,312	40,595	828,646	96,020	4,657	(1,729,219)	1,095,112	356,074	1,451,186
Prior year adjustments	-	-	-	-	-	312	-	11,460	11,772	4,046	15,818
As restated	1,729,752	41,349	83,312	40,595	828,646	96,332	4,657	(1,717,759)	1,106,884	360,120	1,467,004
Loss for the period (restated)	-	-	-	-	-	-	-	(182,989)	(182,989)	(2,719)	(185,708)
Other comprehensive income/(loss) for the period:											
Change in fair value of an available-for-sale investment	-	-	-	74,800	-	-	-	-	74,800	-	74,800
Exchange differences on translation of foreign operations (restated)	-	-	-	-	-	(5,296)	-	-	(5,296)	57	(5,239)
Total comprehensive income/(loss) for the period (restated)	-	-	-	74,800	-	(5,296)	-	(182,989)	(113,485)	(2,662)	(116,147)
Issue of shares upon exercise of convertible bonds	94,011	-	(11,510)	-	-	-	-	-	82,501	-	82,501
Issue of shares upon exercise of share options	41,035	(11,320)	-	-	-	-	-	-	29,715	-	29,715
Transfer of share option reserve upon forfeiture of share options	12,280	(12,280)	-	-	-	-	-	-	-	-	-
Extension of convertible bonds	-	-	18,337	-	(5,289)	-	-	-	13,048	-	13,048
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,264)	(1,264)
Share placement and top-up subscription	353,385	-	-	-	-	-	-	-	353,385	-	353,385
At 30 June 2015 (Unaudited and restated)	2,230,463	17,749	90,139	115,395	823,357	91,036	4,657	(1,900,748)	1,472,048	356,194	1,828,242

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the parent											
	Share capital HK\$'000	Share option reserve HK\$'000	Equity component of convertible bonds HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016	2,232,696	17,217	90,139	62,758	58,086	823,357	11,383	4,657	(2,012,727)	1,287,566	387,443	1,675,009
Loss for the period	-	-	-	-	-	-	-	-	(68,319)	(68,319)	(2,856)	(71,175)
Other comprehensive loss for the period:												
Change in fair value of an available-for-sale investment	-	-	-	(100,289)	-	-	-	-	-	(100,289)	-	(100,289)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(4,467)	-	-	(4,467)	(114)	(4,581)
Total comprehensive loss for the period	-	-	-	(100,289)	-	-	(4,467)	-	(68,319)	(173,075)	(2,970)	(176,045)
At 30 June 2016 (Unaudited)	2,232,696	17,217*	90,139	(37,531)*	58,086*	823,357*	6,916*	4,657*	(2,081,046)*	1,114,491	384,473	1,498,964

\* These reserve accounts comprise the consolidated debit reserves of HK\$1,208,344,000 (31 December 2015: HK\$1,035,269,000) in the interim condensed consolidated statement of financial position.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2016 <b>(Unaudited)</b> HK\$'000	2015 (Unaudited and restated) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	<b>(69,856)</b>	(179,912)
Adjustments for:		
Total non-cash adjustments	<b>52,703</b>	(12,933)
Total working capital adjustments	<b>(21,794)</b>	88,090
Cash used in operations	<b>(38,947)</b>	(104,755)
Overseas taxes paid	<b>(2,319)</b>	(6,012)
Net cash flows used in operating activities	<b>(41,266)</b>	(110,767)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>394</b>	5,357
Purchases of items of property, plant and equipment	<b>(1,871)</b>	(5,482)
Proceeds from disposal of items of property, plant and equipment	-	18
Proceeds from disposal of investment properties	<b>9,360</b>	-
Disposal of interest in a subsidiary	-	(14,916)
Acquisition of an associate	-	(10,000)
Capital injection to a joint venture	-	(10,000)
Redemption of held-to-maturity debt securities	-	4,410
Addition of available-for-sale investment	-	(5,000)
Additions of other asset	-	(2,680)
Deposit for acquisition of an investment property	-	(2,028,257)
Net cash flows from/(used in) investing activities	<b>7,883</b>	(2,066,550)



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	<b>(8,143)</b>	(21,208)
Proceeds from issue of shares	–	359,160
Share issue expenses	–	(5,775)
Repayment of bank loans	<b>(105,309)</b>	(159,234)
New bank loans	<b>136,421</b>	1,666,153
Repayment of loans receivable from related companies	<b>3,581</b>	33,339
Repayment of a loan from a related company	<b>(29,500)</b>	–
Advance from non-controlling shareholders, net	<b>14,646</b>	14,109
Proceeds from exercise of share options	–	29,715
Repayment of finance lease	<b>(377)</b>	(357)
Advance from a related company	–	370,134
<b>Net cash flows from financing activities</b>	<b>11,319</b>	2,286,036
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>(22,064)</b>	108,719
Cash and cash equivalents at beginning of period	<b>446,546</b>	650,461
Effect of foreign exchange rate changes, net	<b>8,546</b>	3,178
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>433,028</b>	762,358
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>433,028</b>	762,358

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited is a limited liability company incorporated in Hong Kong whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (The "Stock Exchange").

During the period, the Group was principally involved in the operation of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") refueling stations; management and operation of light-emitting diode ("LED") energy management contracts ("EMC"); provision of finance lease and loan services and properties investment; provision of land development services and sales of construction materials in the People's Republic of China (the "PRC").

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the Group's adoption of certain revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2016, which did not have any effect on these interim condensed consolidated financial statements.

The financial information relating to the financial year ended 31 December 2015 that is included in this interim condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current period's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

The adoption of the above revised standards has had no significant financial effect on these condensed consolidated interim financial statements.

The Group has not adopted any new HKFRSs that have been issued but not yet effective. The Group is in the process of making an assessment of the impact of the new HKFRSs upon initial application.

The Group is not yet in a position to state whether they would have a significant financial impact on the Group's results of operations and financial position.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

During the year ended 31 December 2015, the Group changed voluntarily its accounting policy regarding the measurements of investment properties. In prior periods, the Group adopted the cost model for the measurements of the investment properties, which were stated at cost less accumulated depreciation and any impairment losses. Under the revised accounting policy, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the period of the retirement or disposal.

In the opinion of the directors, the financial statements prepared under the revised policy could provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the industry.

The effect of the change in accounting policy in the consolidated statement of financial position at 31 December 2015 were disclosed in the Company's 2015 Annual Report.

The effect on the consolidated statement of profit or loss and other comprehensive income is summarised as follows:

	For the six months ended 30 June 2015 (Unaudited) HK\$'000
Increase in net loss from a fair value adjustment	7,694
Decrease in depreciation	(1,174)
Decrease in impairment loss	(4,963)
Decrease in loss attributable to non-controlling interests	(123)
Decrease in exchange differences on translation of foreign operations	(94)

#### **4. OPERATING SEGMENT INFORMATION**

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

- (a) Sales of CNG, LPG and petroleum products of the Group's gas station operation;
- (b) Management and operation of LED EMC;
- (c) Provision of finance lease and loan services and properties investment; and
- (d) Provision of land development services and sales 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 interest income, finance costs, impairment of goodwill, loss on disposals of subsidiaries, share of profits and losses of joint ventures and associates, as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are located in Mainland China, no further geographical segment information is provided.

#### 4. OPERATING SEGMENT INFORMATION (continued)

The following table presents revenue and profit/(loss) for the Group's primary segments for the six months ended 30 June 2016 and 2015. Certain comparative amounts have been restated to conform with the change in accounting policy.

	Sales of CNG, LPG and petroleum products		Management and operation of LED EMC		Provision of finance lease and loan services and properties investment		Provision of land development services and sales of construction materials		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Revenue to external customers	119,475	674,695	-	40,117	-	-	12,757	35,501	132,232	750,313
Finance income on concession finance and trade receivables	-	-	-	20,443	-	-	-	-	-	20,443
Interest revenue	-	-	-	-	6,638	1,205	-	-	6,638	1,205
Intersegment revenue	-	-	-	-	-	7,427	-	-	-	7,427
	119,475	674,695	-	60,560	6,638	8,632	12,757	35,501	138,870	779,388
<i>Reconciliation:</i>										
Elimination of intersegment revenue									-	(7,427)
Reclassification of finance income to other income									-	(20,443)
									138,870	751,518

#### 4. OPERATING SEGMENT INFORMATION (continued)

	Sales of CNG, LPG and petroleum products		Management and operation of LED EMC		Provision of finance lease and loan services and properties investment		Provision of land development services and sales of construction materials		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment results</b>	<b>(17,611)</b>	3,889	<b>(8)</b>	12,887	<b>(8,626)</b>	6,531	<b>(5,232)</b>	(5,765)	<b>(31,477)</b>	17,542
<i>Reconciliation:</i>										
Interest income	-	-	-	-	-	-	-	-	<b>2,878</b>	5,357
Loss on disposals of subsidiaries	-	(1,463)	-	-	-	-	-	-	-	(1,463)
Share of profits and losses of:										
Joint ventures	<b>(4,011)</b>	1,572	<b>5,070</b>	-	-	-	-	-	<b>1,059</b>	1,572
Associates	<b>8,600</b>	(4,257)	-	-	-	-	-	-	<b>8,600</b>	(4,257)
Share of profits and losses of associates – unallocated									<b>(1,389)</b>	-
Impairment of goodwill	-	(83,241)	-	-	-	-	-	-	-	(83,241)
Finance costs	<b>(1,566)</b>	(6,514)	-	(3,405)	<b>(36,994)</b>	(3,741)	<b>(2,025)</b>	(1,042)	<b>(40,585)</b>	(14,702)
Finance costs – unallocated									<b>(29,927)</b>	(25,230)
Fair value gains/(losses) on investment properties	-	(3,694)	-	-	<b>34,986</b>	(4,000)	-	-	<b>34,986</b>	(7,694)
Corporate and other unallocated expenses									<b>(14,001)</b>	(67,796)
Loss before tax									<b>(69,856)</b>	(179,192)
Income tax expense									<b>(1,319)</b>	(5,796)
Loss for the period									<b>(71,175)</b>	(185,708)



## 5. REVENUE, OTHER INCOME AND GAIN

An analysis of the Group's revenue, other income and gain is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
<b>Revenue</b>		
Sales of CNG, LPG and petroleum products	<b>119,475</b>	674,695
Operation revenue of LED EMC	-	40,117
Interest income on finance leases and loans	<b>6,638</b>	1,205
Sales of construction materials	<b>12,757</b>	35,501
	<b>138,870</b>	751,518
<b>Other income</b>		
Bank interest income	<b>394</b>	5,357
Promissory notes interest income	<b>2,484</b>	-
Gross rental income	<b>1,100</b>	2,922
Finance income on concession finance and trade receivables	-	20,443
Government grants received*	-	319
Others	<b>279</b>	6,749
	<b>4,257</b>	35,790
<b>Gain</b>		
Gain on disposal of items of property, plant and equipment	<b>130</b>	-
	<b>4,387</b>	35,790

\* In the prior period, various government grants had been received to subsidise the operation of the Group's gas stations in various provinces in Mainland China. There were no unfulfilled conditions or contingencies relating to these grants.

## 6. FINANCE COSTS

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

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans and other loans:		
Bank loans	39,840	14,702
Other loans	11,449	5,988
Convertible bonds	18,479	19,242
Financing arrangement fee	744	–
	<b>70,512</b>	39,932

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived after charging/(crediting):

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited and restated) HK\$'000
Cost of inventories sold and operation costs of gas stations*	90,314	571,565
Construction and operation costs of LED EMC*	–	30,846
Cost of construction materials sold*	12,449	34,681
Depreciation on property, plant and equipment**	10,221	18,371
Amortisation of prepaid land lease payments	248	966
Amortisation of intangible assets	48	521
Gain on disposal of items of property, plant and equipment***	(130)	–
Loss on disposal of investment properties****	2,690	–
Impairment of items of property, plant and equipment****	–	22,445
Impairment of an investment in associates****	–	8,525
Impairment of other receivables****	15,118	2,914
Fair value losses/(gains) on investment properties	(34,986)	7,694

## 7. LOSS BEFORE TAX (continued)

- \* Included in "Cost of sales" on the face of the interim condensed consolidated statement of profit or loss.
- \*\* Certain depreciation charges of HK\$2,418,000 (2015: HK\$3,631,000) are included in cost of inventories sold and operating costs of gas stations.
- \*\*\* Included in "Other income and gain" on the face of the interim condensed consolidated statement of profit or loss.
- \*\*\*\* Included in "Other operating expenses, net" on the face of the interim condensed consolidated statement of profit or loss.

## 8. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2015: Nil). Taxation on Mainland China profit was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Group:		
Current – Mainland China	1,102	5,630
Deferred	217	166
	<b>1,319</b>	5,796

## 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$68,319,000 (2015 (Restated): HK\$182,989,000), and the weighted average number of ordinary shares of 5,943,745,741 (2015: 4,868,898,697) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2016 and 2015 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

## 10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2016 (2015: Nil).

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Trade and bills receivables	<b>12,954</b>	61,776
Impairment	<b>(898)</b>	(930)
	<b>12,056</b>	60,846

The Group's trading terms with its other trade customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. 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 and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

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

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Billed:		
0 to 90 days	<b>9,738</b>	58,788
91 to 120 days	-	388
121 days to 1 year	<b>2,318</b>	1,670
Over 1 year	<b>898</b>	930
	<b>12,954</b>	61,776

## 12. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Finance lease receivables comprise:				
Within one year	<b>4,705</b>	1,496	<b>3,370</b>	1,208
In the second to fifth years, inclusive	<b>13,837</b>	–	<b>11,800</b>	–
	<b>18,542</b>	1,496	<b>15,170</b>	1,208
Less: unearned finance income	<b>(3,372)</b>	(288)		
Present value of minimum lease payments	<b>15,170</b>	1,208		
Analysed for reporting purposes as:				
Current assets	<b>3,370</b>	1,208		
Non-current assets	<b>11,800</b>	–		
	<b>15,170</b>	1,208		

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

At 30 June 2016, the Group's finance lease receivables with carrying amount of HK\$15,170,000 (31 December 2015: HK\$252,000) were pledged as security for the Group's certain bank loans.

### 13. CONTRACT FOR SERVICES

	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
	<b>HK\$'000</b>	HK\$'000
Contract costs incurred to date and gross amount due from contract customers	<b>109,071</b>	96,429

### 14. TRADE AND BILLS PAYABLES

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

	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>11,810</b>	16,825
Over 120 days	<b>4,342</b>	1,232
	<b>16,152</b>	18,057

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

The Group's bills payable amounted to HK\$7,020,000 (31 December 2015: HK\$7,162,000) as at the end of the reporting period and have an average maturity period of 90 days. Bills payable are denominated in RMB.

## 15. CONVERTIBLE BONDS

The movement of the convertible bonds issued are split into the liability and equity components, and analysed as follows:

	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
	<b>HK\$'000</b>	HK\$'000
<u>Nominal value</u>		
At 1 January	<b>390,006</b>	478,776
Conversion during the period/year (note b)	-	(88,770)
At period/year end	<b>390,006</b>	390,006
<u>Liabilities components</u>		
At 1 January	<b>363,663</b>	426,479
Extinguishment of the convertible bond upon modification of term (note a)	-	(51,776)
Recognition of the convertible bond upon modification of term (note a)	-	38,728
Conversion during the period/year (note b)	-	(82,501)
Interest expense	<b>18,479</b>	37,315
Interest paid	<b>(518)</b>	(4,582)
At period/year end	<b>381,624</b>	363,663



## 15. CONVERTIBLE BONDS (continued)

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Equity components		
At 1 January	<b>90,139</b>	83,312
Extinguishment of the convertible bond upon modification of term (note a)	-	(21,686)
Recognition of the convertible bond upon modification of term (note a)	-	40,023
Conversion during the period/year (note b)	-	(11,510)
At period/year end	<b>90,139</b>	90,139
Convertible bonds at nominal value	<b>381,624</b>	363,663
Current portion	<b>(337,362)</b>	(321,445)
Non-current portion	<b>44,262</b>	42,218

On 6 March 2012, 10 July 2014 and 31 October 2014, the Group issued convertible bonds with principal amounts of HK\$51,776,000, HK\$175,000,000 and HK\$272,000,000, respectively. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion prices of HK\$0.23 (adjusted), HK\$0.2 and HK\$0.196 (adjusted) per share, respectively, anytime after the issuance of the convertible bonds. Any convertible bond not converted will be redeemed at par in three years, two years and two years, respectively, after the dates of issuance or will be further extended as agreed between the bondholders and the Group. The convertible bonds bear interest at 2%, 2% and 1% per annum, respectively, and are all payable yearly in arrears.

## 15. CONVERTIBLE BONDS (continued)

- (a) On 20 January 2015, the Company and a bondholder, Billirich Investment Limited, entered into a deed of amendment pursuant to which the maturity date of the convertible bond with principal amount of approximately HK\$51,776,000 was extended for three years from 6 March 2015 to 6 March 2018. No other terms and conditions of such convertible bond have been amended. Further details are set out in the Company's circular dated 9 February 2015.

On 3 March 2015, the modification of the terms of such convertible bond was approved by the shareholders at the Company's extraordinary general meeting. Upon the modification of the terms, liability component of approximately HK\$51,776,000 and equity component of approximately HK\$21,686,000 were extinguished and the new convertible bond with fair value of liability component of approximately HK\$38,728,000 and residual value of equity component of approximately HK\$40,023,000 were recognised. The net difference in liability component of approximately HK\$13,048,000 and equity component of approximately HK\$18,337,000 were recognised in special capital reserve of approximately HK\$5,289,000. The fair values are determined by the directors of the Company based on the valuation by Asset Appraisal Limited, independent valuer.

- (b) In May 2015, convertible bonds with aggregate principal amount of approximately HK\$88,770,000 were converted by bondholders into 443,847,538 ordinary shares of the Company at a conversion price of HK\$0.2 per conversion share. Additional 2,935,664 conversion shares were issued by the Company to a bondholder on 4 June 2015 as a result of the conversion price adjustment from HK\$0.2 to HK\$0.196 subsequent to the completion of the placing and top-up subscription agreement on 15 May 2015 in accordance with the terms of the convertible bond.

The fair values of the liability components were estimated at the issuance dates using equivalent market interest rates for similar bonds without a conversion option. The residual amounts are assigned as the equity components and are included in shareholders' equity.

## 16. SHARE CAPITAL

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Issued and fully paid: 5,943,745,741 (31 December 2015: 5,943,745,741) ordinary shares	<b>2,232,696</b>	2,232,696

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

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1 January 2015	4,483,782,539	1,729,752
Convertible bonds exercised (Note (a))	446,783,202	94,011
Share options exercised (Note (b))	137,180,000	43,268
Transfer of share option reserve upon forfeiture of share options	–	12,280
Share placement and top-up subscription (Note (c))	876,000,000	353,385
At 31 December 2015, 1 January 2016 and 30 June 2016	5,943,745,741	2,232,696

## 16. SHARE CAPITAL (continued)

Notes:

- (a) The subscription rights attaching to convertible bonds in a principal amount of HK\$88,770,000 were exercised at the subscription price of HK\$0.2 per share, resulting in the issue of 443,847,539 shares at a total consideration, before expenses, of HK\$82,501,000. An amount of HK\$11,510,000 was transferred from the equity component of convertible bonds to share capital in respect of the exercise of convertible bonds. Additional 2,935,664 conversion shares were issued by the Company to a bondholder on 4 June 2015 as a result of the conversion price adjustment from HK\$0.2 to HK\$0.196 subsequent to the completion of the placing and top-up subscription agreement on 15 May 2015 in accordance with the terms of the convertible bond.
- (b) The subscription rights attaching to 137,180,000 share options were exercised at the subscription prices of HK\$0.20 to HK\$0.236 per share, resulting in the issue of 137,180,000 shares for a total cash consideration, before expenses, of HK\$31,416,000. An amount of HK\$11,852,000 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (c) On 7 May 2015, the Company entered into a placing and top-up subscription agreement, pursuant to which the Company issued and allotted 876,000,000 new ordinary shares ("Placing Shares") at a price of HK\$0.41 per placing share on 15 May 2015 to not less than six independent placees, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, raising in aggregate HK\$359,160,000 (before issue expenses) in cash to provide for general working capital for the Group. After taking into account the share issue expenses of approximately HK\$5,775,000, the net price per Placing Share issue is about HK\$0.403. The closing price of the Company's share as quoted on the Stock Exchange on 6 May 2015, being the date immediate preceding the date on which the Company agreed on the terms of the agreement including the issue price of the Placing Share, was HK\$0.51 per share.

## 17. COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$92,796,000 (31 December 2015: HK\$98,847,000) contracted but not provided for in the interim condensed consolidated financial statements as at the end of the reporting period.

## 18. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Sales of gas to non-controlling shareholders	(i)	-	72,373
Sales of gas to a joint venture	(i)	-	159
Purchases of gas from a joint venture	(ii)	69	60
Provision of transportation service to a joint venture	(iii)	90	2,370
Interest expenses to related companies	(iv)	11,389	5,988
Interest income from a related company	(v)	-	460
Interest income from an associate	(vi)	1,334	-
Interest income from joint ventures	(vii)	6,302	-

Notes:

- (i) In prior year, the sales of gas to non-controlling shareholders and a joint venture were made at prices mutually agreed between the parties, which approximated market rates.
- (ii) The purchases of gas from a joint venture were made at prices mutually agreed between the parties, which approximated market rates.
- (iii) The provision of transportation service to a joint venture was made at prices mutually agreed between the parties, which approximated market rates.
- (iv) The interest expenses paid to related companies, which are wholly-owned subsidiaries of shareholders of the Company, were charged at interest rates ranging from RMB loan interest rate issued by the People's Bank of China to 5% per annum.

## 18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

- (v) In the prior year, the interest income received from a related company, which was an associate of a shareholder of the Company, was charged at an interest rate of 5% per annum.
- (vi) The interest income received from an associate was charged at an interest rate of 1.5% per annum.
- (vii) The interest income received from joint ventures were charged at interest rates ranging from 10.3% to 11% per annum.

(b) Outstanding balances with related parties:

- (i) All balances with non-controlling shareholders, joint ventures and associates are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (ii) The loan receivable from a related company was unsecured, interest-bearing at 9% and was repaid during the period.
- (iii) The loan from a related company is unsecured, interest-bearing at 5% per annum and is repayable in 2016.
- (iv) The loan from a related company is unsecured, interest-bearing at RMB loan interest rate issued by the People's Bank of China and is not expected to be settled within one year from the end of the reporting period (31 December 2015: repayable in 2017).
- (v) The loans from non-controlling shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

The carrying amounts of these balances approximate their fair values.

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

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	488	1,973
Post-employment benefits	-	18
Total compensation paid to key management personnel	488	1,991

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<b>Financial assets</b>				
Available-for-sale investment	107,491	207,780	107,491	207,780
Finance lease receivables – non-current portion	11,800	–	11,800	–
Promissory notes receivable – non-current portion	175,500	256,514	175,500	256,514
	<b>294,791</b>	464,294	<b>294,791</b>	464,294
<b>Financial liabilities</b>				
Loans from a related company – non-current portion	293,024	223,820	293,024	223,820
Loans from non-controlling shareholders	53,120	38,640	53,120	38,640
Finance lease payable – non-current portion	1,533	1,929	1,533	1,929
Interest-bearing bank and other borrowings – non-current portion	1,496,217	1,736,491	1,496,217	1,736,491
Convertible bonds – non-current portion	44,262	42,218	44,262	42,218
	<b>1,888,156</b>	2,043,098	<b>1,888,156</b>	2,043,098

Management has assessed that the fair values of trade and bills receivables, cash and bank balances, trade and bills payables, financial liabilities included in other payables and accruals, current portions of financial assets included in prepayments, deposits and other receivables, finance lease receivables, promissory notes receivable, loan receivable from a related company, finance lease payable, loans from a related company, interest-bearing bank and other borrowings, amount due from/to joint ventures, amount due from/to associates and amounts due from non-controlling shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of finance lease receivables, finance lease payable, loan from a related company, loans from non-controlling shareholders and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 30 June 2016 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair value of the listed equity investment is based on quoted market prices.



## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

*Asset measured at fair value:*

**As at 30 June 2016**

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investment	107,491	-	-	107,491

As at 31 December 2015

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investment	207,780	-	-	207,780

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2015: Nil).

The Group did not have any financial assets for which fair value are disclosed as at 31 December 2015.

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

*Assets for which fair values are disclosed:*

**As at 30 June 2016**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables – non-current portion	-	11,800	-	-

*Liabilities for which fair values are disclosed:*

**As at 30 June 2016**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease payable – non-current portion	-	1,533	-	1,533
Loans from non-controlling shareholders	-	53,120	-	53,120
Loans from a related company – non-current portion	-	293,024	-	293,024
Interest-bearing bank and other borrowings – non-current portion	-	1,496,217	-	1,496,217
Convertible bonds – non-current portion	-	-	44,262	44,262
	-	1,843,894	44,262	1,888,156

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

As at 31 December 2015

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Finance lease payable – non-current portion	–	1,929	–	1,929
Loans from non-controlling shareholders	–	38,640	–	38,640
Loans from a related company – non-current portion	–	223,820	–	223,820
Interest-bearing bank and other borrowings – non-current portion	–	1,736,491	–	1,736,491
Convertible bonds – non-current portion	–	–	42,218	42,218
	–	2,000,880	42,218	2,043,098