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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "Board") of directors (the "Directors") of AVIC Joy Holdings (HK) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for 2015 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**138,870**	751,518
Cost of sales		**(102,763)**	(637,092)
Gross profit		**36,107**	114,426
Other income and gain	5	**4,387**	35,790
Selling and distribution expenses		**(17,243)**	(54,865)
Administrative expenses		**(48,043)**	(108,229)
Other operating expenses, net		**(17,808)**	(32,019)
Fair value gains/(losses) on investment properties		**34,986**	(7,694)
Finance costs	6	**(70,512)**	(39,932)
Impairment of goodwill		**–**	(83,241)
Loss on disposals of subsidiaries		**–**	(1,463)
Share of profits and losses of joint ventures		**1,059**	1,572
Share of profits and losses of associates		**7,211**	(4,257)

	Notes	2016 (Unaudited) HK$'000	2015 (Unaudited and restated) HK$'000
		For the six months ended 30 June	
LOSS BEFORE TAX	7	**(69,856)**	(179,912)
Income tax expense	8	**(1,319)**	(5,796)
LOSS FOR THE PERIOD		**(71,175)**	(185,708)
Attributable to:			
Owners of the parent		**(68,319)**	(182,989)
Non-controlling interests		**(2,856)**	(2,719)
		(71,175)	(185,708)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**HK(1.15) cents**	HK(3.76) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(71,175)**	(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	**(100,289)**	74,800
Exchange differences on translation of foreign operations	**(4,581)**	(5,239)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(104,870)**	69,561
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(176,045)**	(116,147)
Attributable to:		
Owners of the parent	**(173,075)**	(113,485)
Non-controlling interests	**(2,970)**	(2,662)
	(176,045)	(116,147)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Notes:

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 announcement of interim results 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:

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

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.

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.

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 property investment		Provision of land development services and sales of construction materials		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
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
Reconciliation:										
Elimination of intersegment revenue									–	(7,427)
Reclassification of finance income to other income									–	(20,443)
									138,870	751,518
Segment results	(17,611)	3,889	(8)	12,887	(8,626)	6,531	(5,232)	(5,765)	(31,477)	17,542
Reconciliation:										
Interest income	–	–	–	–	–	–	–	–	2,878	5,357
Loss on disposals of subsidiaries	–	(1,463)	–	–	–	–	–	–	–	(1,463)
Share of profits and losses of:										
Joint ventures	(4,011)	1,572	5,070	–	–	–	–	–	1,059	1,572
Associates	8,600	(4,257)	–	–	–	–	–	–	8,600	(4,257)
Share of profits and losses of associates – unallocated									(1,389)	–
Impairment of goodwill	–	(83,241)	–	–	–	–	–	–	–	(83,241)
Finance costs	(1,566)	(6,514)	–	(3,405)	(36,994)	(3,741)	(2,025)	(1,042)	(40,585)	(14,702)
Finance costs – unallocated									(29,927)	(25,230)
Fair value gains/(losses) on investment properties	–	(3,694)	–	–	34,986	(4,000)	–	–	34,986	(7,694)
Corporate and other unallocated expenses									(14,001)	(67,796)
Loss before tax									(69,856)	(179,192)
Income tax expense									(1,319)	(5,796)
Loss for the period									(71,175)	(185,708)

5. REVENUE, OTHER INCOME AND GAIN

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of CNG, LPG and petroleum products	**119,475**	674,695
Operation revenue of LED EMC	**–**	40,117
Interest income on finance leases and loans	**6,638**	1,205
Sales of construction materials	**12,757**	35,501
	138,870	751,518
Other income		
Bank interest income	**394**	5,357
Promissory notes interest income	**2,484**	–
Gross rental income	**1,100**	2,922
Finance income on concession finance and trade receivables	**–**	20,443
Government grants received*	**–**	319
Others	**279**	6,749
	4,257	35,790
Gain		
Gain on disposal of items of property, plant and equipment	**130**	–
	4,387	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	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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**	–
	70,512	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	2015
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'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

* 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 operation 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	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**1,102**	5,630
Deferred	**217**	166
	1,319	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

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**12,954**	61,776
Impairment	**(898)**	(930)
	12,056	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:

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Billed:		
0 to 90 days	**9,738**	58,788
91 to 120 days	**–**	388
121 days to 1 year	**2,318**	1,670
Over 1 year	**898**	930
	12,954	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	31 December 2015	**30 June 2016**	31 December 2015
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**4,705**	1,496	**3,370**	1,208
In the second to fifth years, inclusive	**13,837**	–	**11,800**	–
	18,542	1,496	**15,170**	1,208
Less: unearned finance income	**(3,372)**	(288)		
Present value of minimum lease payments	**15,170**	1,208		
Analysed for reporting purposes as:				
Current assets	**3,370**	1,208		
Non-current assets	**11,800**	–		
	15,170	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

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Contract costs incurred to date and gross amount due from contract customers	**109,071**	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:

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
0 to 90 days	**11,810**	16,825
Over 120 days	**4,342**	1,232
	16,152	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.

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^3 to 36,214,600 m^3 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 Costal 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 bond) 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 purse 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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (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 laws, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code during the period under review.

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 announcement 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 announcement.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.avicjoyhk.com). The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
AVIC Joy Holdings (HK) Limited
Wang Xiaowei
Chief Executive Officer and Executive Director

Hong Kong, 26 August 2016

As of the date of this announcement, 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.