

2017

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)



CONTENTS

	<i>PAGE(S)</i>
MANAGEMENT DISCUSSION AND ANALYSIS	2-6
OTHER INFORMATION	7-14
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	15-16
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	17
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	19-20
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	21
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	22-23
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	24-44

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2017, the principal business activities of the Company and its subsidiaries (the "Group") comprise the operation of compressed natural gas ("CNG") refueling stations, provision of finance lease and loan services and properties investment, provision of class 1 land development services and sale of construction materials in the People's Republic of China (the "PRC").

During the period, the revenue of the Group amounted to HK\$145,430,000 (2016: HK\$138,870,000), representing an increase of approximately 4.7% as compared with last period, which was mainly attributed to the increase in revenue generated from sale of construction materials.

The Group's gross profit for the period was HK\$32,582,000 (2016: HK\$36,107,000), representing a decrease of approximately 9.8% as compared with last period, with gross profit margin decreased from approximately 26% to approximately 22.4%.

The net loss of the Group was HK\$125,997,000 during the period as compared with the net loss of HK\$71,175,000 in the same period of last year. The increase in net loss was mainly attributable to (i) an impairment on an available-for-sale investment of approximately HK\$18,839,000 was recorded during the period; and (ii) there was a fair value loss on investment properties of HK\$1,017,000 during current period against a fair value gain in last period amounted to HK\$34,986,000.

Operational Review

(1) *Gas Business*

During the reporting period, the total revenue of the gas business reduced to HK\$81,629,000 (2016: HK\$119,475,000), representing a decline of approximately 31.7% as compared with the same period of last year due to the sales volume of CNG dropped from 36,214,600 m³ to 28,086,300 m³ as compared with last same period. Since the Group commenced its restructuring in gas business in late 2014, gas business deteriorated as expected due to various factors, among other things, (i) the economic slowdown in the provinces of the remained gas business; (ii) the intensified market competition due to the changes in government policies; and (iii) the divergence of investment and operating strategies between the Group and business partners in certain business regions.

(2) *Finance Leasing Business and Properties Investment*

For the six months ended 30 June 2017, the finance leasing business and properties investment segment recorded an increase in revenue from HK\$6,638,000 to HK\$7,229,000 as compared with the same period of last year, mainly due to the increase in finance leasing interest income.

During the first half of 2017, the Grade A office leasing market in Shanghai remains active with solid demand in central business district although the average rent during the first half of 2017 experienced a slight decrease. The commercial property in Shanghai has not been leased out as the Group was reviewing what the optimal strategy is based on market conditions, including but not limited to, leasing the property en bloc or realising the property investment.

(3) *PPP Class 1 Land Development Business and Sale of Construction Materials*

During the period, this business segment generated revenue from sale of construction materials of HK\$56,572,000 (2016: HK\$12,757,000) to the Group, represented an increase of HK\$43,815,000 from the same period of last year. At the end of the reporting period, the total commercial and residential land area developed remained at approximately 550 mu. The land development progress was slowed down during the period due to the land auction schedule has been delayed as a result of adjustment in land policies by local government. The Group has been actively communicating with the local government for possible ways to resolve the delay and speed up the development progress.

Business Outlook

It is expected that the operating environment for gas business of the Group will remain difficult due to the sluggish energy prices, keen market competition, and the divergence of investment and operating strategies between the Group and certain business partners. The Group will look for ways to overcome the current situation, including but not limited to further restructuring or considering to dispose of the gas business when suitable opportunities arise in the future, as well as to take appropriate actions against those business partners who take a stance that is detrimental to the Group's business in order to protect the interests of the Group.

The finance leasing industry in the PRC has grown rapidly over the past decade. It is expected that the trend of government policies in supporting the innovation and technology development under the 13th Five-Year Plan for Economic and Social Development of China will boost production equipment upgrade in most industries such as medical sector, which is favorable for equipment leasing industry. The Group will continue to explore opportunities to enhance its finance leasing business.

At the end of 2016, the Fujian Provincial Government issued the "Notice on the further strengthening of the real estate market land regulation*" (關於進一步加強房地產市場土地調控的通知) to suppress the excessive growth in land prices, regulate and control land auction approval and procedures. In view of such policies and the recent delay in land auction, the Group will continue to communicate with the local government to speed up the development and land auction progress.

Financial Resources

As at 30 June 2017, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies, loans from non-controlling shareholders and convertible bond) amounted to approximately HK\$2,702.2 million (31 December 2016: HK\$2,556.3 million), of which HK\$1,833.1 million (31 December 2016: HK\$1,746.6 million) was related to bank and other borrowings at operating subsidiaries level and the mortgage loan for Shanghai property investment denominated in Renminbi. Cash and bank balances amounted to HK\$78.3 million (31 December 2016: HK\$154 million). Net borrowing amounted to HK\$2,623.9 million (31 December 2016: HK\$2,402.3 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\$850.5 million (31 December 2016: HK\$938 million) plus net borrowing, was 75.5% (31 December 2016: 71.9%).

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

* For identification purpose only

Interim Dividend

The board of directors of the Company (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Material Acquisition and Disposal

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

Events after Reporting Period

Save as disclosed in note 21 to the condensed financial statements of the Group for the six months ended 30 June 2017 set out in this interim report, the Group did not have any other material subsequent event after the reporting period and up to the date of this interim report.

Staff Benefits

As at 30 June 2017, the Group had a total of 509 employees (2016: 553). The staff costs for the six months ended 30 June 2017 amounted to approximately HK\$23.4 million (2016: HK\$19.5 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits to staff include statutory mandatory provident fund, medical scheme and share option schemes. There was no major change in staff remuneration policies during the period.

Human Resources

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

Pledge of Assets

As at 30 June 2017, 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, 25 August 2017

As at the date of this interim report, the Board comprises Mr. Zhu Dong (Chairman), Mr. Wang Xiaowei (Chief Executive Officer), Mr. Zang Zheng, Mr. Xiao Wei, Mr. Zhang Zhibiao and Ms. Wang Ying as executive directors; and Mr. Hu Xiaowen, Mr. Gong Changhui and Mr. Huang Bo as independent non-executive directors.

OTHER INFORMATION

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

As at 30 June 2017, the interests and short positions of the directors of the Company (the "Directors") and chief executive 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 to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company ("Shares"):

Name of Director	Number of Shares, capacity and nature of interests		Percentage of the Company's issued Shares [#]
	Interest of spouse	Total	
Zhu Dong*	1,740,000	1,740,000	0.03%

Notes:

* Mr. Zhu is deemed to be interested in the Shares held by his spouse under the SFO.

The total number of issued Shares as at 30 June 2017 is 5,943,745,741 ordinary Shares.

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

Long positions in share options of the Company:

Name of Director	Number of share options beneficially owned
Wang Xiaowei	8,980,000

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive had interests or short positions 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 to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 interim 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 2017	Date of grant ¹	Exercise period	Exercise price HK\$ ²
	At 1 January 2017	Granted during the period	Exercised during the period	Lapsed/cancelled during the period				
Director								
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			
Consultants								
In aggregate	120,000,000	-	-	-	120,000,000	31-8-10	31-8-10 to 30-8-20	0.227
Employees								
In aggregate	86,250,000	-	-	-	86,250,000	31-8-10	31-8-10 to 30-8-20	0.227
	215,230,000	-	-	-	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 SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the following are the persons, other than the Directors and chief executive, who had interests and short positions in the Shares and convertible bonds of the Company as recorded in the register required to be kept by the Company under 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 issued Shares	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's issued Shares if the convertible shares were issued
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 controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
Tacko International Limited	(a)	Long	Interest of 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 controlled corporation	1,535,618,891	25.84%	225,112,486	3.79%
AVIC Joy Air Holdings Limited	(b)	Long	Beneficial owner	60,810,000	1.02%	-	-
AVIC Joy Air (HK) Group Limited	(b)	Long	Interest of controlled corporation	60,810,000	1.02%	-	-
幸福航空控股有限公司	(b)	Long	Interest of controlled corporation	60,810,000	1.02%	-	-
AVIC International Holding Corporation	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%	225,112,486	3.79%
Aviation Industry Corporation of China ("AVIC")	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%	225,112,486	3.79%
Grand Win Overseas Ltd. ("Grand Win")	(c)	Long	Beneficial owner	313,965,000	5.28%	-	-
Sun Shining Investment Corp.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%	-	-
Tai Yuen Textile Company Ltd.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%	-	-

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND 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 (62.52% interest was controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the Shares and convertible bonds held by Billirich.
- (b) AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Group 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 as to approximately 42.86% by AVIC International Holding Corporation, which is a non-wholly-owned subsidiary of AVIC (62.52% interest was controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the Shares held by AVIC Joy Air Holdings Limited.
- (c) 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 30 June 2017, no other persons, other than the Directors and chief executive, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2017, save and except as disclosed hereunder:

- (i) all non-executive Directors (including independent non-executive Directors) have not been appointed for a specific term as provided in code provision A.4.1 of the CG Code. However, the non-executive Directors are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with the articles of association of the Company (the "Articles");
- (ii) code provision D.1.4 of the CG Code stipulates that the listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have letters of appointment for Directors, however, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles. Moreover, Directors are required to comply with the requirements under statute and common laws, the Listing Rules, the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), legal and other regulatory requirements, if applicable; and
- (iii) Rules 3.10(1), 3.10A and 3.21 of the Listing Rules stipulate that (i) every board of directors must include at least three independent non-executive directors; (ii) every board of directors must have independent non-executive directors representing at least one-third of the board; and (iii) the audit committee must comprise a minimum of three members and the majority must be independent non-executive directors. Following the resignation of Mr. Wu Meng as an independent non-executive Director and a member of each of the audit committee (the "Audit Committee"), the remuneration committee and the nomination committee of the Company with effect from 1 April 2017, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell to two that is below the minimum number as required under Rule 3.21 of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES (Continued)

(iii) (Continued)

Following the appointment of Mr. Huang Bo as an independent non-executive Director and a member of each of the Audit Committee, the remuneration committee and the nomination committee of the Company on 30 June 2017 for filling the vacancy, the number of Directors increased to seven, of which three are independent non-executive Directors (representing not less than one-third of the Board) and accordingly, the Company has complied with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules from 30 June 2017 onwards.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

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 2017 and up to the date of this interim report are set out below:

Name of Director	Details of changes
Mr. Hu Xiaowen	– He ceased to be the Chief Financial Officer of 北京中財龍馬投資管理有限公司 (Beijing Longmacufe Investment Management Ltd.*) since March 2017.

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.

* For identification purpose only

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Hu Xiaowen (chairman of the Audit Committee), Mr. Gong Changhui and Mr. Huang Bo. The Audit Committee together with the management of the Company have reviewed 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 six months ended 30 June 2017 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 2017 have been reviewed by the Audit Committee, and have also been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 17 to 44, 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 2017 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 2017, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
25 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	5	145,430	138,870
Cost of sales		(112,848)	(102,763)
Gross profit		32,582	36,107
Other income and gain	5	4,789	4,387
Selling and distribution expenses		(16,585)	(17,243)
Administrative expenses		(61,096)	(48,043)
Other operating and non-operating income/(expenses), net		896	(17,808)
Fair value gains/(losses) on investment properties		(1,017)	34,986
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)		(18,839)	-
Finance costs	6	(66,225)	(70,512)
Share of profits and losses of joint ventures		1,692	1,059
Share of profits and losses of associates		-	7,211
LOSS BEFORE TAX	7	(123,803)	(69,856)
Income tax expense	8	(2,194)	(1,319)
LOSS FOR THE PERIOD		(125,997)	(71,175)
Attributable to:			
Owners of the parent		(120,335)	(68,319)
Non-controlling interests		(5,662)	(2,856)
		(125,997)	(71,175)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		HK(2.02) cents	HK(1.15) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(125,997)	(71,175)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	(18,839)	(100,289)
Reclassification adjustment for impairment loss included in the condensed consolidated statement of profit or loss	18,839	-
	-	(100,289)
Exchange differences on translation of foreign operations	35,139	(4,581)
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	35,139	(104,870)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(90,858)	(176,045)
Attributable to:		
Owners of the parent	(87,406)	(173,075)
Non-controlling interests	(3,452)	(2,970)
	(90,858)	(176,045)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		61,300	68,379
Investment properties		1,961,555	1,911,392
Prepaid land lease payments		18,449	18,222
Goodwill		87,242	87,242
Intangible assets		964,644	964,672
Investments in joint ventures		60,091	58,399
Investment in an associate		–	–
Available-for-sale investments		44,880	63,719
Other asset		2,680	2,680
Prepayments, deposits and other receivables		9,838	14,483
Finance lease receivables	12	17,461	19,414
Promissory notes receivable	21	–	168,000
Loan receivable from a joint venture		23,474	23,474
Total non-current assets		3,251,614	3,400,076
CURRENT ASSETS			
Inventories		3,447	3,511
Contract for services	13	133,278	116,602
Trade and bills receivables	11	57,777	88,672
Prepayments, deposits and other receivables		263,228	217,670
Finance lease receivables	12	5,168	4,817
Promissory notes receivable	21	263,626	91,126
Due from joint ventures		213,285	211,630
Due from a non-controlling shareholder		4,657	4,657
Tax recoverable		364	–
Cash and bank balances		78,313	153,990
Total current assets		1,023,143	892,675

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

30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	14	5,486	3,771
Other payables and accruals		70,952	145,063
Finance lease payable		821	801
Convertible bonds	15	48,743	–
Interest-bearing bank and other borrowings		437,522	549,585
Loans from related companies		193,253	146,966
Due to a joint venture		8,812	8,596
Due to non-controlling shareholders		174	–
Tax payable		–	445
Total current liabilities		765,763	855,227
NET CURRENT ASSETS		257,380	37,448
TOTAL ASSETS LESS CURRENT LIABILITIES		3,508,994	3,437,524
NON-CURRENT LIABILITIES			
Convertible bonds	15	128,198	167,000
Finance lease payable		713	1,128
Interest-bearing bank and other borrowings		1,395,530	1,196,983
Loan from a related company		215,625	210,612
Loans from non-controlling shareholders		283,279	285,124
Deferred tax liabilities		243,991	244,161
Total non-current liabilities		2,267,336	2,105,008
Net assets		1,241,658	1,332,516
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	2,234,815	2,234,815
Equity component of convertible bonds	15	61,314	61,314
Other reserves		(1,445,596)	(1,358,190)
Non-controlling interests		850,533	937,939
		391,125	394,577
Total equity		1,241,658	1,332,516

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016

	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

Six months ended 30 June 2017

	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	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2017	2,234,815	15,098	61,314	-	58,086	823,357	(46,492)	2,047	9,426	(2,219,712)	937,939	394,577	1,332,516
Loss for the period	-	-	-	-	-	-	-	-	-	(120,335)	(120,335)	(5,662)	(125,997)
Other comprehensive income/(loss) for the period:													
Change in fair value of an available-for-sale investment	-	-	-	(18,839)	-	-	-	-	-	-	(18,839)	-	(18,839)
Reclassification adjustment for impairment loss of an available-for-sale investment included in condensed consolidated statement of profit or loss	-	-	-	18,839	-	-	-	-	-	-	18,839	-	18,839
Exchange differences on translation of foreign operations	-	-	-	-	-	-	32,929	-	-	-	32,929	2,210	35,139
Total comprehensive loss for the period	-	-	-	-	-	-	32,929	-	-	(120,335)	(87,406)	(3,452)	(90,858)
At 30 June 2017 (Unaudited)	2,234,815	15,098*	61,314	-	58,086*	823,357*	(13,563)*	2,047*	9,426*	(2,340,047)*	850,533	391,125	1,241,658

* These reserve accounts comprise the consolidated debit reserves of HK\$1,445,596,000 (31 December 2016: HK\$1,358,190,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(123,803)	(69,856)
Adjustments for:		
Total non-cash adjustments	89,502	52,703
Total working capital adjustments	(153,522)	(21,794)
Cash used in operations	(187,823)	(38,947)
Overseas taxes paid	(3,173)	(2,319)
Net cash flows used in operating activities	(190,996)	(41,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,422	394
Purchases of items of property, plant and equipment	(2,708)	(1,871)
Proceeds from disposal of investment properties	-	9,360
Increase in prepaid land lease payments	(345)	-
Net cash flows from/(used in) investing activities	(631)	7,883

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(518)	(8,143)
Repayment of bank loans	(1,381,925)	(105,309)
New bank loans	1,421,514	136,421
Repayment of loans receivables from related companies	-	3,581
Repayment/(advanced) of loan from a related company	46,000	(29,500)
Advance from/(to) non-controlling shareholders, net	(214)	14,646
Repayment of finance leases	(437)	(377)
Net cash flows from financing activities	84,420	11,319
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	153,990	446,546
Effect of foreign exchange rate changes, net	31,530	8,546
CASH AND CASH EQUIVALENTS AT END OF PERIOD	78,313	433,028
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	78,313	433,028

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") refueling stations; management and operation of light-emitting diode ("LED") energy management contracts ("EMC"); provision of finance lease and loan services and properties investment; and provision of land development services and sale of construction materials in the People's Republic of China (the "PRC"). The Group operates LED EMC business through its investment in a joint venture.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 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 2016.

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 2016, except for the Group's adoption of certain revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2017, which did not have any effect on these interim condensed consolidated financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The financial information relating to the financial year ended 31 December 2016 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 (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 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 new and revised HKFRSs for the first time for the current period's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

The adoption of the above new and revised HKFRSs has had no significant financial effect on the financial statements.

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) Sale of CNG and petroleum products of the Group's gas refueling 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 sale of construction materials.

4. OPERATING SEGMENT INFORMATION (continued)

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, certain finance costs, impairment of an available-for-sale investment, share of profits and losses of joint ventures and associates, fair value gains/losses on investment properties, net, as well as head office and corporate expenses are excluded from such measurement.

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

The following table presents revenue and profit/(loss) for the Group's primary segments for the six months ended 30 June 2017 and 2016.

	Sale of CNG 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 sale of construction materials		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(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
Segment revenue:										
Revenue from external customers	81,629	119,475	-	-	-	-	56,572	12,757	138,201	132,232
Interest income	-	-	-	-	7,229	6,638	-	-	7,229	6,638
	81,629	119,475	-	-	7,229	6,638	56,572	12,757	145,430	138,870

2017 Interim Report

4. OPERATING SEGMENT INFORMATION (continued)

	Sale of CNG 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 sale of construction materials		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(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
Segment results	(9,260)	(17,611)	1,643	(8)	(11,451)	(8,626)	(6,836)	(5,232)	(25,904)	(31,477)
<i>Reconciliation:</i>										
Interest income									3,971	2,878
Share of profits and losses of:										
Joint ventures	(2,301)	(4,011)	3,993	5,070	-	-	-	-	1,692	1,059
Associates	-	8,600	-	-	-	-	-	-	-	8,600
Share of profits and losses of an associate - unallocated									-	(1,389)
Impairment of an available-for-sale investment (transfer from available-for-sale investment reevaluation reserve)									(18,839)	-
Finance costs	(1,609)	(1,566)	-	-	(32,276)	(36,994)	(3,452)	(2,025)	(37,337)	(40,585)
Finance costs - unallocated									(28,888)	(29,927)
Fair value gains/(losses) on investment properties, net	-	-	-	-	(1,017)	34,986	-	-	(1,017)	34,986
Corporate and other unallocated expenses									(17,481)	(14,001)
Loss before tax									(123,803)	(69,856)
Income tax expense									(2,194)	(1,319)
Loss for the period									(125,997)	(71,175)

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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Sale of gas and petroleum products	81,629	119,475
Sale of construction materials	56,572	12,757
Interest income on finance leases and loans	7,229	6,638
	145,430	138,870
Other income		
Interest income	182	394
Promissory notes interest income	2,147	2,484
Gross rental income	462	1,100
Loan interest income from a joint venture	1,642	-
Others	356	279
	4,789	4,257
Gain		
Gain on disposal of items of property, plant and equipment	-	130
	4,789	4,387

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and other loans (including convertible bonds)		
Bank loans	36,630	39,840
Other loans	18,431	11,449
Convertible bonds	10,458	18,479
Financing arrangement fees	706	744
	66,225	70,512

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and operation costs of gas refueling stations*	57,726	90,314
Cost of construction materials sold*	55,122	12,449
Depreciation on items of property, plant and equipment**	9,339	10,221
Amortisation of prepaid land lease payments	595	248
Amortisation of intangible assets	48	48
Gain on disposal of items of property, plant and equipment***	-	(130)
Loss on disposal of items of property, plant and equipment****	44	-
Loss on disposal of an investment property*****	-	2,690
Reversal of impairment of trade receivables****	(940)	-
Impairment of other receivables****	-	15,118
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)	18,839	-
Fair value losses/(gains) on investment properties	1,017	(34,986)

7. LOSS BEFORE TAX (continued)

- * Included in "Cost of sales" on the face of the interim condensed consolidated statement of profit or loss.
- ** In the prior period, depreciation charges of HK\$2,418,000 was included in cost of inventories sold and operating costs of gas refueling stations.
- *** Included in "Other income and gain" on the face of the interim condensed consolidated statement of profit or loss.
- **** Included in "Other operating and non-operating income/(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 (2016: 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Mainland China	2,364	1,102
Deferred	(170)	217
	2,194	1,319

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\$120,335,000 (2016: HK\$68,319,000), and the weighted average number of ordinary shares of 5,943,745,741 (2016: 5,943,745,741) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2017 and 2016 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 2017 (2016: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade and bills receivables	59,781	91,616
Impairment	(2,004)	(2,944)
	57,777	88,672

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Billed:		
0 to 90 days	52,725	88,672
91 to 120 days	4,614	–
121 days to 1 year	438	–
Over 1 year	2,004	2,944
	59,781	91,616

As at 30 June 2017, certain trade receivable with aggregate carrying amounts of HK\$1,091,000 (31 December 2016: HK\$835,000) were pledged to secure a loan advanced from a third party.

12. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Finance lease receivables comprise:				
Within one year	7,148	6,962	5,168	4,817
In the second to fifth years, inclusive	20,385	23,172	17,461	19,414
	27,533	30,134	22,629	24,231
Less: unearned finance income	(4,904)	(5,903)		
Present value of minimum lease payments	22,629	24,231		
Analysed for reporting purposes as:				
Current assets	5,168	4,817		
Non-current assets	17,461	19,414		
	22,629	24,231		

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

At 30 June 2017, the Group's finance lease receivables with aggregate carrying amount of HK\$22,629,000 (31 December 2016: HK\$24,231,000) were pledged as security for the Group's certain bank loans.

13. CONTRACT FOR SERVICES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Contract costs in relation to land development services incurred to date and gross amount due from a contract customer	133,278	116,602

14. TRADE PAYABLES

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 90 days	2,975	1,278
91 to 120 days	26	15
Over 120 days	2,485	2,478
	5,486	3,771

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

15. CONVERTIBLE BONDS

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<u>Nominal value</u>		
At 1 January	191,776	390,006
Issuance of convertible bonds (note (a))	-	140,000
Recognition during the year (note (b))	-	(338,230)
At period/year end	191,776	191,776
<u>Liability components</u>		
At 1 January	167,000	363,663
Issuance of convertible bonds (note (a))	-	118,709
Repayment during the year (note (b))	-	(115,000)
Transfer to a loan from a non-controlling shareholder (note (b))	-	(227,695)
Interest expense	10,458	30,657
Interest paid	(517)	(3,334)
At period/year end	176,941	167,000

15. CONVERTIBLE BONDS (continued)

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<u>Equity components</u>		
At 1 January	61,314	90,139
Issuance of convertible bonds (note (a))	-	21,291
Transfer to accumulated losses upon maturity of convertible bonds (note (b))	-	(50,116)
At period/year end	61,314	61,314
<u>Convertible bonds, liability components</u>		
Current portion	(48,743)	-
Non-current portion	128,198	167,000

On 6 March 2012 (extended on 6 March 2015) and 17 November 2016, the Group issued convertible bonds with principal amounts of HK\$51,776,000 and HK\$140,000,000 respectively. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion prices of HK\$0.23(adjusted) and HK\$0.14 per share, respectively, anytime after the issuance of the convertible bonds. Any convertible bond not converted will be redeemed at par in three 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% and 4% per annum, respectively, and are payable semi-annually or annually in arrears or at the maturity date or the conversion date (as the case may be).

15. CONVERTIBLE BONDS (continued)

- (a) On 17 November 2016, the Company issued convertible bonds in principal amount of HK\$140,000,000. The bonds are convertible into 1,000,000,000 ordinary shares at the initial conversion price of HK\$0.14 per share at the option of the bondholders any time after the issuance of the convertible bonds. Any convertible bonds not converted will be redeemed by the Company at par on the second anniversary of the date of its issuance. The convertible bonds bear interest at 4% per annum and payable at the time of conversion or redemption of the convertible bonds.
- (b) The convertible bonds remained unexercised upon the maturity in July 2016 and October 2016, the liability portion of HK\$115,000,000 and HK\$227,695,000 was fully derecognised after the repayment of the convertible bonds and the equity portion of HK\$12,871,000 and HK\$37,245,000, respectively, was released to the accumulated losses within the statement of changes in equity respectively.

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Issued and fully paid: 5,943,745,741 ordinary shares	2,234,815	2,234,815

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

	Number of shares in issue	Share capital HK\$'000
At 1 January 2016	5,943,745,741	2,232,696
Transfer of share option reserve upon lapse of share options	–	2,119
At 31 December 2016, 1 January 2017 and 30 June 2017	5,943,745,741	2,234,815

17. COMMITMENTS

The Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$17,805,000 (31 December 2016: HK\$31,560,000) 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	
		2017	2016
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Purchases of gas from a joint venture	(i)	-	69
Provision of transportation service to a joint venture	(ii)	-	90
Interest expenses to related companies	(iii)	8,290	11,389
Interest expenses to a non-controlling shareholder	(iv)	5,646	-
Interest income from an associate	(v)	-	1,334
Interest income from joint ventures	(vi)	5,860	6,302
Loan interest income from a joint venture	(vii)	1,643	-

Notes:

- (i) In the prior period, the purchases of gas from a joint venture were made at prices mutually agreed between the parties, which approximated market rates.
- (ii) In the prior period, the provision of transportation service to a joint venture was made at prices mutually agreed between the parties, which approximated market rates.
- (iii) The interest expenses paid to related companies, which a member of the key management personnel of the related companies was also a director of the company, were charged at an interest rate of 5% per annum and RMB loan interest rate issued by the People's Bank of China, respectively.
- (iv) The interest expenses paid to a non-controlling shareholder were charged at interest rate of 5% per annum.
- (v) In the prior period, the interest income received from an associate was charged at an interest rate of 1.5% per annum.

18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(vi) The interest income received from joint ventures, were charged at interest rates ranging from 10.3% to 11% per annum.

(vii) The loan interest income received from a joint venture, was charged at interest rate of 4% per annum.

(b) Outstanding balances with related parties:

(i) The loan receivable from a joint venture is unsecured, bears interest at 4% per annum and is repayable in 2018.

(ii) The loan from a related company is unsecured, non-interest-bearing and is repayable in 2017.

(iii) The loan from a related company is unsecured, bears interest at 5% per annum and is repayable in 2017.

(iv) The loan from a related company is unsecured, bears interest at the RMB loan interest rate issued by the People's Bank of China, have no fixed terms of repayment and the directors consider that the amount is not expected to be settled within one year from the end of the reporting period (31 December 2016: no fixed terms of repayment).

(v) The loan from a non-controlling shareholder is unsecured, bears interest at 5% per annum is repayable in 2018.

(vi) All remaining balances with non-controlling shareholders, joint ventures and associates are unsecured, non-interest-bearing and have no fixed terms of repayment.

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

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	249	488
Post-employment benefits	-	-
Total compensation paid to key management personnel	249	488

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Financial assets				
Available-for-sale investments	44,880	63,719	44,880	63,719
Finance lease receivables – non-current portion	17,461	19,414	17,461	19,414
Promissory notes receivable – non-current portion	–	168,000	–	168,000
Loan receivable from a joint venture	23,474	23,474	23,474	23,474
	85,815	274,607	85,815	274,607
Financial liabilities				
Loans from a related company – non-current portion	215,625	210,612	215,625	210,612
Loans from non-controlling shareholders	283,279	285,124	283,279	285,124
Finance lease payable – non-current portion	713	1,128	713	1,128
Interest-bearing bank and other borrowings – non-current portion	1,395,530	1,196,983	1,395,530	1,196,983
Convertible bonds – non-current portion	128,198	167,000	128,198	167,000
	2,023,345	1,860,847	2,023,345	1,860,847

Management has assessed that the fair values of trade and bills receivables, cash and bank balances, trade 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 receivables, finance lease payable, loans from related companies, interest-bearing bank and other borrowings, amount due from/to joint ventures, amount due from/to associates and amounts due from/to 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, loan receivable from a joint venture, 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 2017 was assessed to be insignificant. The fair value of the liability portion of the convertible bond 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 values of listed equity investments are 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:

*Assets measured at fair value:***As at 30 June 2017**

	Fair value measurement using			
	Quoted	Significant	Significant	Total
	prices	observable	unobservable	
	in active markets (Level 1)	inputs (Level 2)	inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	44,880	–	–	44,880

As at 31 December 2016

	Fair value measurement using			
	Quoted	Significant	Significant	Total
	prices	observable	unobservable	
	in active markets (Level 1)	inputs (Level 2)	inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	63,719	–	–	63,719

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016.

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 2016: Nil).

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 2017**

	Note	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
		HK\$'000	HK\$'000	HK\$'000	
Finance lease receivables					
– non-current portion	12	–	17,461	–	17,461
Loan receivable from a joint venture					
– non-current portion		–	23,474	–	23,474
		–	40,935	–	40,935

As at 31 December 2016

	Note	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
		HK\$'000	HK\$'000	HK\$'000	
Finance lease receivables					
– non-current portion	12	–	19,414	–	19,414
Promissory notes receivable					
– non-current portion		–	168,000	–	168,000
Loan receivable from a joint venture					
– non-current portion		–	23,474	–	23,474
		–	210,888	–	210,888

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy (continued)***Liabilities for which fair values are disclosed:***As at 30 June 2017**

	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	-	713	-	713
Loans from non-controlling shareholders	-	215,625	-	215,625
Loans from a related company – non-current portion	-	283,279	-	283,279
Interest-bearing bank and other borrowings – non-current portion	-	1,395,530	-	1,395,530
Convertible bond – non-current portion	-	-	128,198	128,198
	-	1,895,147	128,198	2,023,345

As at 31 December 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	-	1,128	-	1,128
Loans from non-controlling shareholders	-	285,124	-	285,124
Loans from a related company – non-current portion	-	210,612	-	210,612
Interest-bearing bank and other borrowings – non-current portion	-	1,196,983	-	1,196,983
Convertible bonds	-	-	167,000	167,000
	-	1,693,847	167,000	1,860,847

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the Directors, this presentation would better reflect the financial position of the Group.

21. EVENTS AFTER THE REPORTING PERIOD

Included in the promissory notes receivable ("PN") as of 30 June 2017 were three PNs of HK\$172,500,000 ("PN1"), HK\$73,126,000 ("PN2") and HK\$18,000,000 ("PN3"), respectively. On 10 July 2017, PN1 with original maturity date on 25 September 2018 was early redeemed by the note issuer and a finance cost of approximately HK\$15,370,000 was incurred accordingly.

For PN2 and PN3, an aggregate amount of HK\$2,126,000 had been settled up to 10 July 2017 and a deed was entered into for the replacement of the then aggregate outstanding principal amount of HK\$89,000,000 with original maturity date on 15 June 2017 by a new promissory note ("PN4"). The interest rate of PN4 remains unchanged with maturity date revised to 15 June 2018. Details of the replacement were disclosed in the announcement of the Company dated 10 July 2017.