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## **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 2015**

The board (the “Board”) of directors (the “Directors”) of AVIC Joy Holdings (HK) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with the comparative figures for 2014 as follows:

#### **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>For the six months ended 30 June</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
REVENUE	5	<b>751,518</b>	826,374
Cost of sales		<b>(637,092)</b>	(659,958)
Gross profit		<b>114,426</b>	166,416
Other income	5	<b>35,790</b>	14,491
Selling and distribution expenses		<b>(54,865)</b>	(56,314)
Administrative expenses		<b>(109,403)</b>	(68,136)
Other operating expenses, net		<b>(36,982)</b>	(15,199)
Finance costs	6	<b>(39,932)</b>	(17,369)
Impairment of goodwill		<b>(83,241)</b>	–
Gain/(loss) on disposal of a subsidiary		<b>(1,463)</b>	9,226
Loss on deregistration of joint ventures		–	(2,877)
Share of profits and losses of joint ventures		<b>1,572</b>	1,339
Share of profits and losses of associates		<b>(4,257)</b>	(22)

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2015</b>	2014
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
PROFIT/(LOSS) BEFORE TAX	7	(178,355)	31,555
Income tax expense	8	<u>(5,796)</u>	<u>(19,268)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u><b>(184,151)</b></u>	<u>12,287</u>
Attributable to:			
Owners of the parent		(181,309)	1,501
Non-controlling interests		<u>(2,842)</u>	<u>10,786</u>
		<u><b>(184,151)</b></u>	<u>12,287</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS	9		
Basic and diluted		<u><b>HK(3.72) cents</b></u>	<u>HK0.03 cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<b><u>(184,151)</u></b>	<u>12,287</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	<b>74,800</b>	(48,759)
Share of other comprehensive loss of joint ventures	–	(1,023)
Exchange differences on translation of foreign operations	<b><u>(5,145)</u></b>	<u>(14,018)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b><u>69,655</u></b>	<u>(63,800)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<b><u>(114,496)</u></b>	<u>(51,513)</u>
Attributable to:		
Owners of the parent	<b>(111,711)</b>	(62,178)
Non-controlling interests	<b><u>(2,785)</u></b>	<u>10,665</u>
	<b><u>(114,496)</u></b>	<u>(51,513)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>149,952</b>	342,259
Investment properties		<b>91,902</b>	98,823
Prepaid land lease payments		<b>11,337</b>	24,739
Goodwill		<b>87,243</b>	188,869
Intangible assets		<b>977,420</b>	977,949
Investments in joint ventures		<b>29,618</b>	133,417
Investments in associates		<b>16,742</b>	9,485
Available-for-sale investments		<b>265,418</b>	185,617
Other asset		<b>2,680</b>	–
Concession finance receivables	11	<b>110,682</b>	137,441
Trade receivables	12	<b>334,929</b>	232,270
Prepayments and deposits		<b>2,062,056</b>	134,737
Finance lease receivables	13	<b>3,481</b>	13,971
Loans receivables from related companies		<b>–</b>	33,339
		<hr/>	<hr/>
Total non-current assets		<b>4,143,460</b>	2,512,916
<b>CURRENT ASSETS</b>			
Inventories		<b>1,814</b>	1,634
Contract for services	14	<b>69,960</b>	36,560
Trade and bills receivables	12	<b>212,537</b>	227,042
Prepayments, deposits and other receivables		<b>233,123</b>	191,221
Concession finance receivables	11	<b>119,812</b>	84,783
Held-to-maturity debt securities		<b>–</b>	4,410
Finance lease receivables	13	<b>17,252</b>	6,549
Due from non-controlling shareholders		<b>15,013</b>	35,121
Due from joint ventures		<b>24,790</b>	97,138
Due from associates		<b>1,429</b>	899
Pledged deposits		<b>–</b>	1,904
Cash and bank balances		<b>762,358</b>	648,557
		<hr/>	<hr/>
		<b>1,458,088</b>	1,335,818
Assets of a disposal group classified as held for sale		<b>665,061</b>	–
		<hr/>	<hr/>
Total current assets		<b>2,123,149</b>	1,335,818
		<hr/>	<hr/>

		<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
	<i>Note</i>		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	<b>20,649</b>	103,243
Deferred income, other payables and accruals		<b>272,224</b>	198,799
Finance lease payables		<b>725</b>	725
Promissory notes		<b>100,000</b>	100,000
Convertible bond		<b>–</b>	51,407
Interest-bearing bank and other borrowings		<b>192,150</b>	179,747
Loans from a related company		<b>101,248</b>	38,798
Due to non-controlling shareholders		<b>882</b>	3,087
Due to a joint venture		<b>68</b>	5,040
Due to associates		<b>2,240</b>	161
Tax payable		<b>9,697</b>	15,487
		<b>699,883</b>	696,494
Liabilities directly associated with the assets classified as held for sale		<b>282,197</b>	–
Total current liabilities		<b>982,080</b>	696,494
<b>NET CURRENT ASSETS</b>		<b>1,141,069</b>	639,324
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,284,529</b>	3,152,240
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		<b>349,656</b>	375,072
Finance lease payables		<b>2,335</b>	2,693
Interest-bearing bank and other borrowings		<b>1,992,218</b>	545,500
Loans from a related company		<b>420,624</b>	108,374
Loans from non-controlling shareholders		<b>38,640</b>	38,640
Deferred tax liabilities		<b>248,434</b>	248,351
Deferred income and other payables		<b>418,547</b>	382,424
Total non-current liabilities		<b>3,470,454</b>	1,701,054
Net assets		<b>1,814,075</b>	1,451,186
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>2,230,463</b>	1,729,752
Equity component of convertible bonds		<b>90,139</b>	83,312
Other reserves		<b>(858,552)</b>	(717,952)
		<b>1,462,050</b>	1,095,112
<b>Non-controlling interests</b>		<b>352,025</b>	356,074
Total equity		<b>1,814,075</b>	1,451,186

Notes:

## 1. CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited is a limited liability company incorporated in Hong Kong whose shares are publicly traded.

During the period, the Group was principally involved in the operation of compressed natural gas (“CNG”), liquefied petroleum gas (“LPG”) and liquefied natural gas (“LNG”) refueling stations, management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”), provision of finance lease and loan services, provision of land development services and trading 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 2015 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 2014.

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 2014, except for the Group’s adoption of certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 January 2015.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 Annual Improvements 2010-2012 Cycle	<i>Defined Benefit Plans: Employee Contributions Amendment to a number of HKFRSs</i>
Annual Improvements 2011-2013 Cycle	<i>Amendment to a number of HKFRSs</i>

The adoption of the above revised HKFRSs 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.

#### 4. OPERATING SEGMENT INFORMATION

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

- (a) Sales of CNG, LPG, LNG 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
- (d) Provision of land development services and trading of construction materials

Segment performance is evaluated based on operating profit/(loss), which is a measure of adjusted reportable segment profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as corporate and other unallocated income or 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 geographical segments information is provided.

The following table presents revenue and profit/(loss) for the Group's primary segments for the six months ended 30 June 2015 and 2014. Certain comparative amounts have been reclassified to conform with the current period's presentation.

	Sales of CNG, LPG, LNG and petroleum products		Management and operation of LED EMC and trading of LED products		Provision of finance lease and loan services		Provision of land development services and sales of construction materials		Total	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	674,695	695,328	40,117	129,771	-	-	35,501	-	750,313	825,099
Finance income on concession finance and trade receivables	-	-	20,443	6,240	-	-	-	-	20,443	6,240
Interest revenue	-	-	-	-	1,205	1,275	-	-	1,205	1,275
Intersegment revenue	-	-	-	-	7,427	3,224	-	-	7,427	3,224
	<u>674,695</u>	<u>695,328</u>	<u>60,560</u>	<u>136,011</u>	<u>8,632</u>	<u>4,499</u>	<u>35,501</u>	<u>-</u>	<u>779,388</u>	<u>835,838</u>
<i>Reconciliation:</i>										
Elimination of intersegment revenue									(7,427)	(3,224)
Reclassification of finance income to other income									(20,443)	(6,240)
									<u>751,518</u>	<u>826,374</u>
<b>Segment results</b>	(819)	11,916	12,887	36,669	5,102	431	(5,765)	-	11,405	49,016
Reconciliation:										
Interest income									5,357	1,327
Gain/(loss) on disposal of a subsidiary	(1,463)	9,226	-	-	-	-	-	-	(1,463)	9,226
Loss on deregistration of joint ventures	-	(2,877)	-	-	-	-	-	-	-	(2,877)
Share of profits and losses of:										
Joint ventures	1,572	1,339	-	-	-	-	-	-	1,572	1,339
Associates	(4,257)	(22)	-	-	-	-	-	-	(4,257)	(22)
Impairment of goodwill	(83,241)	-	-	-	-	-	-	-	(83,241)	-
Corporate and other unallocated income/(expenses), net									(67,796)	(9,085)
Finance costs									(39,932)	(17,369)
Profit/(loss) before tax									(178,355)	31,555
Income tax expense									(5,796)	(19,268)
Profit/(loss) for the period									<u>(184,151)</u>	<u>12,287</u>



## 5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents sales of CNG, LPG, LNG and petroleum products from the operation of gas stations, income from management and operation of LED EMC and trading of LED products, interest income on finance leases and loans and sales of construction materials during the period.

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

	<b>For the six months ended 30 June</b>	
	<b>2015 (Unaudited) HK\$'000</b>	2014 (Unaudited) HK\$'000
<u>Revenue</u>		
Sales of CNG, LPG, LNG and petroleum products	<b>674,695</b>	695,328
Operation revenue of LED EMC and trading of LED products	<b>40,117</b>	129,771
Interest income on finance leases and loans	<b>1,205</b>	1,275
Sales of construction materials	<b>35,501</b>	–
	<b>751,518</b>	826,374
<u>Other income</u>		
Interest income	<b>5,357</b>	1,327
Commission income	–	36
Gross rental income	<b>2,922</b>	2,377
Trading of petroleum and gas-related products	–	201
Finance income on concession finance and trade receivables	<b>20,443</b>	6,240
Government grants received*	<b>319</b>	2,508
Others	<b>6,749</b>	1,802
	<b>35,790</b>	14,491

\* Various government grants have been received to subsidise the operation of the Group's gas stations in various provinces in Mainland China. There are 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on loans/bonds wholly repayable within five years:		
Bank loans	14,702	11,267
Other loans	5,988	3,756
Convertible bonds	19,242	2,346
	<u>39,932</u>	<u>17,369</u>

## 7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories sold	571,565	577,338
Operation costs of LED EMC and cost of LED products sold	30,846	82,590
Cost of finance lease and loan services provided	–	30
Cost of construction materials sold	34,681	–
Depreciation on property, plant and equipment	18,371	30,127
Depreciation on investment properties	1,959	823
Amortisation of prepaid land lease payments	966	697
Amortisation of intangible assets*	521	521
Loss on disposal of items of property, plant and equipment*	–	1,485
Impairment of items of property, plant and equipment*	22,445	–
Impairment of an investment in an associate*	8,525	–
Impairment of other receivables	2,914	13,714
	<u>2,914</u>	<u>13,714</u>

\* 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 (2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Group:		
Current – Mainland China	5,630	16,951
Deferred	166	2,317
	<hr/>	<hr/>
	5,796	19,268
	<hr/> <hr/>	<hr/> <hr/>

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$181,309,000 (2014: profit of HK\$1,501,000), and the weighted average number of ordinary shares of 4,868,898,697 (2014: 4,383,782,539) in issue during the period.

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

The calculations of basic and diluted earnings per share were based on:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<u>Earnings/(loss)</u>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(181,309)	1,501
Interest on convertible bonds	19,242	2,346
	<hr/>	<hr/>
Profit/(loss) attributable to ordinary equity holders of the parent, before interest on convertible bond	(162,067)	3,847*
	<hr/> <hr/>	<hr/> <hr/>

	<b>Number of shares For the six months ended 30 June</b>	
	<b>2015</b>	2014
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>4,868,898,697</b>	4,383,782,539
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>115,614,027</b>	–
Convertible bonds	<b>1,939,043,568</b>	220,322,859
	<b><u>6,923,556,292*</u></b>	<b><u>4,604,105,398*</u></b>

\* Because the diluted loss per share amount (2014: diluted earnings per share) decreased (2014: increased) when taking share options and convertible bonds into account, the share options and the convertible bonds have an anti-dilutive effect on the basic earnings per share for the period and are ignored in the calculation of diluted earnings/loss per share. Therefore, the calculation of diluted earnings/loss per share amount is based on loss for the period of HK\$181,309,000 (2014: profit of HK\$1,501,000) and the weighted average number of ordinary shares of 4,868,898,697 (2014: 4,383,782,539) in issue during the period ended 30 June 2015.

#### 10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2015 (2014: Nil).

#### 11. CONCESSION FINANCE RECEIVABLES

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Receivables under service concession arrangements	<b>230,494</b>	222,224
Current portion included in prepayments, deposits and other receivables	<b>(119,812)</b>	(84,783)
Non-current portion	<b><u>110,682</u></b>	<b><u>137,441</u></b>

Concession finance receivables comprise amounts receivable with respect to concession agreements in the People's Republic of China (the "PRC"). The Group's concession finance receivables are unbilled as at the end of the reporting period.

## 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Trade and bills receivables	547,479	459,325
Impairment	(13)	(13)
	<hr/>	<hr/>
	547,466	459,312
Less: Non-current portion of trade receivables	(334,929)	(232,270)
	<hr/>	<hr/>
Current portion of trade and bills receivables	<b>212,537</b>	<b>227,042</b>
	<hr/> <hr/>	<hr/> <hr/>

The Group's trade receivables from the trading of LED products to its customers will be billed and settled by equal monthly, bimonthly and quarterly instalments over a period ranging from five to ten years pursuant to the contracts terms. The fair value of the consideration recognised is determined using an imputed rate of interest of 15%.

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. 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 its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Billed:		
0 to 90 days	<b>58,607</b>	108,396
91 to 120 days	<b>2</b>	1
Over 120 days	<b>1,868</b>	5
Over 1 year	<b>13</b>	13
	<hr/>	<hr/>
	<b>60,490</b>	108,415
Unbilled	<b>486,989</b>	350,910
	<hr/>	<hr/>
	<b>547,479</b>	459,325
	<hr/> <hr/>	<hr/> <hr/>

### 13. 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 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
Finance lease receivables comprise:				
Within one year	18,571	8,135	17,252	6,549
In the second to fifth years, inclusive	3,833	15,855	3,481	13,971
	<u>22,404</u>	<u>23,990</u>	<u>20,733</u>	<u>20,520</u>
Less: unearned finance income	<u>(1,671)</u>	<u>(3,470)</u>		
Present value of minimum lease payments	<u>20,733</u>	<u>20,520</u>		
Analysed for reporting purposes as:				
Current assets	17,252	6,549		
Non-current assets	3,481	13,971		
	<u>20,733</u>	<u>20,520</u>		

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

At 30 June 2015, the Group's finance lease receivables with a carrying amount of HK\$11,381,000 (31 December 2014: HK\$18,883,000) were pledged as security for the Group's certain bank loans.

### 14. CONTRACT FOR SERVICES

	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
Contract costs incurred to date and gross amount due from contract customers	<u>69,960</u>	<u>36,560</u>

## 15. TRADE AND BILLS PAYABLES

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

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
0 to 90 days	<b>20,326</b>	48,318
91 to 120 days	–	52,920
Over 120 days	<b>323</b>	2,005
	<hr/> <b>20,649</b> <hr/>	<hr/> 103,243 <hr/>

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

The Group's bills payable has an average maturity period of 90 days and is interest-free. In the prior year, it was secured by time deposits of HK\$1,904,000 and was denominated in RMB.

## 16. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2015, the Company entered into a sale and purchase agreement (as amended and supplemented by supplemental agreements dated 10 February 2015, 14 April 2015 and 13 May 2015) to purchase a property in Shanghai (the "Property") at a consideration of RMB 1,566,032,890. The Property comprised a building with office and retail units and parking spaces which together have an aggregate gross floor area of 16,352.29 square metres. The acquisition of the Property was approved by the shareholders of the Company ("Shareholders") at the extraordinary general meeting on 30 March 2015 and the acquisition was subsequently completed in August 2015. Details of the acquisition were included in the Company's announcements dated 6 January 2015, 30 January 2015, 10 February 2015, 14 April 2015, 15 April 2015, 13 May 2015 and the circular dated 26 February 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six-month period ended 30 June 2015, the business of the Company and its subsidiaries (the “Group”) comprises operation of compressed natural gas (“CNG”), liquefied petroleum gas (“LPG”) and liquefied natural gas (“LNG”) vehicle refueling stations in China, management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”), provision of finance lease and loan services, class 1 land development services and trading of construction materials. During the period, the Group recorded consolidated revenue amounted to HK\$751,518,000 (2014: HK\$826,374,000), representing a decrease of 9.1%. The decrease in the consolidated revenue compared to the last period was mainly attributable to the decline in the gas and LED businesses in the PRC.

The Group’s gross profit for the six-month period ended 30 June 2015 was HK\$114,426,000 (2014: HK\$166,416,000), representing a decrease of 31.2% compared to last period mainly due to the narrowing profit margin of gas business and the decrease in gross profit of LED business. The Group made a loss attributable to owners of the parent for the six-month period ended 30 June 2015 amounted to HK\$181,309,000 against a profit of HK\$1,501,000 in last period. The loss attributable to owners of the parent against a profit in last period was mainly caused by (i) the decrease in revenue in gas and LED business; (ii) the increase in administrative expenses due to the increasing operating cost across the business segments which, among others, included the increased staff cost, increased professional fees and new project expenses; (iii) increase in finance costs and (iv) impairment of goodwill and impairment items of property, plant and equipment of gas business.

### Operational Review

#### (1) Gas Business

Due to intense competition coupled with the negative impact resulting from the reallocation plan of the local government for a few natural gas refueling stations, profit margin was under pressure, which led to deteriorated performance of the Group’s gas business. During the period, the Group’s gas segment recorded total revenue of HK\$674,695,000 (2014: HK\$695,328,000), decreased by 3.0% from last period with sales volume of CNG dropped by 5.8% to 92,992,500 m<sup>3</sup> compared to last period. The Group’s LPG business in Guangdong Province only recorded a tiny growth of 3% with sales volume amounted to 29,898 tons as local government has been taking steps to convert LPG-powered buses into LNG-powered buses.

On 26 February 2015, the National Development and Reform Commission of the PRC promulgated a notice《國家發展改革委關於理順非居民用天然氣價格的通知》to regulate and reduce natural gas price. In view of the price reduction mentioned above, together with the increasingly difficult operating and regulatory environment as well as the deteriorating financial performance during the period, the Group has performed an assessment of gas businesses accordingly to determine

any potential permanent impairment for goodwill. Considering all the factors as a whole, the Group has recognized impairment of goodwill and impairment of items of property, plant and equipment amounted to HK\$83,241,000 and HK\$22,445,000, respectively. Such impairment has no impact on the operations and cash flows of the Group.

(2) *LED Business*

During the period, total sales revenue and concession finance income from the Group's LED business has decreased by 55.5% from HK\$136,011,000 in the last period to HK\$60,560,000, as the one-off portion of the energy-saving income derived from existing contracts has been recognized in the last year and new projects are still under installation and construction. As a result, the segment profit decreased by 64.9% from HK\$36,669,000 in last period to HK\$12,887,000 for current period. Through project development and expansion of client base, the Group has secured six new LED EMC projects during the period, ranging from large public road and tunnel lighting to indoor lighting for factories.

(3) *Finance Leasing Business*

For the six-month period ended 30 June 2015, the Group's finance leasing segment registered total revenue of HK\$8,632,000 (2014: HK\$4,499,000). The increase in revenue was mainly driven by growing capital demand from the Group's increasing LED EMC projects. The segment profit of the Group's finance leasing business was HK\$5,102,000 (2014: HK\$431,000).

(4) *PPP Class1 Land Development Business and trading of construction materials*

The Group commenced land development business in Fuqing City, Fujian Province through investment in class 1 land development of New Central Coastal City (中部濱海新城) and the construction of Ronggang Boulevard (融港大道) (the "Project"). During the period, the new business segment generated revenue from trading of construction materials of HK\$35,501,000 to the Group. The land sale program of the New Coastal Central City is behind schedule and the Group will strive to catch up with the construction and land sales progress

## **Business Outlook**

The weak demand of natural gas and prevailing market-oriented reform on natural gas pricing mechanism create uncertainty on the Group's gas business. To overcome the competitive operating environment, the Group will continue with its measures to improve operating efficiency.

As for the LED business, given the supportive government policies under manufacturing plan "Made in China 2025" issued by the State Counsel in May 2015 to promote the development of intellectual lighting technology and innovation, the phasing out of traditional lightbulbs, together with the maturing LED technology, the Group expects further growth in the LED EMC industry. The Group will continue to improve its competitiveness in delivering LED lighting solutions, technologies and services as well as continuously seeking new projects.

In the first half of 2015, the State Council promulgated the “the Notice of the State Council on Cancelling Non-administrative licensing Approval items” to discontinue providing financial incentive fund to the EMC projects, which exerted great pressure on the financing capacity and working capital of the LED EMC service providers. Nevertheless, the Group’s Finance leasing subsidiary Guangdong Zi Yu Tai Finance Leasing Company Limited (廣東資雨泰融資租賃有限公司) continues to provide stable financial support to the Group’s LED EMC projects.

In order to promote the coordinated development between large cities and small towns and the integrated development of industrialization and urbanization, the China’s government has put forward various supporting policies to enhance the construction of new towns. Meanwhile, the recent national development strategy “One Belt, One Road” implemented by the central government provided critical support in promoting economic and social development of coastal cities along the 21st-Century Maritime Silk Road. It is expected that the superior geographical location of Fujian Province will attract foreign and domestic investment in manufacturing, trading, logistics and tourism, thus driving the growth in population and land demand in the future.

Following the acquisition of the Property located at the north bund of Huangpu River opposite of Lujiazui financial and trade zone, Shanghai, the Group has enlarged its investment in property to capture potential appreciation of the PRC property market.

Looking ahead, the Group will continue to explore and identify suitable investment opportunities to strengthen its business portfolio and look for more effective ways to deploy its resources.

### **Financial Resources**

At 30 June 2015, 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\$3,194.5 million (31 December 2014: HK\$1,437.5 million), of which HK\$2,182.3 million (31 December 2014: HK\$723.1 million) was related to bank borrowings at operating subsidiaries level funding the local PRC operations and the new mortgage for Shanghai property acquisition dominated in Renminbi. Cash and bank balances and pledged deposits amounted to HK\$762.4 million (31 December 2014: HK\$650.5 million). Net borrowing amounted to HK\$ 2,432.1 million (31 December 2014: HK\$787 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\$1,462.1 million (31 December 2014: HK\$1,095.1 million) plus net borrowing, was 62.5% (31 December 2014: 41.8%).

### **Interim Dividend**

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2015 (2014: Nil).

## **Material Acquisition and Disposal**

On 3 December 2014, the Company, Great Concept Investments Holdings Limited, a direct wholly-owned subsidiary of the Company, Sanlin Resources Limited (“Sanlin”) and Sino Gas Holdings Group Limited (“Sino Gas BVI”), an indirect non-wholly owned subsidiary of the Company, entered into an agreement (the “Group Restructuring Agreement”) in relation to the proposed transfer of its four subsidiaries and one joint venture of the Company (“PRC Transfer Group”) to Sanlin at a consideration of approximately RMB93.7 million (the “PRC Transfers”), the proposed disposal of 10% of the total issued share capital of Sino Gas BVI at a consideration of RMB12 million (the “Disposal”) and the settlement of debts of approximately RMB84.3 million owed by 中油潔能(珠海)石化有限公司, an indirect non-wholly owned subsidiary of the Company, and its subsidiaries and the PRC Transfer Group to the Company and its subsidiaries excluding the Sino Gas BVI and its subsidiaries as enlarged by the PRC Transfer Group (the “Debts Settlement”, together with the PRC Transfers and the Disposal, collectively the “Group Restructuring”) (for details of the Group Restructuring, please refer to the announcement of the Company dated 3 December 2014 and the circular dated 25 February 2015). The Group Restructuring Agreement and the transactions contemplated thereunder have been approved by the Shareholders at the extraordinary general meeting of the Company on 13 March 2015. Accordingly, together with goodwill of approximately HK\$18.4 million, assets and liabilities in respect of Sino Gas BVI and the PRC Transfer Group of HK\$665 million and HK\$282 million were reclassified under current assets and current liabilities held for sale, respectively, in these financial statements, as the Disposal will result in change of the nature of the Group’s investment in Sino Gas BVI from a 50% subsidiary to an 40% associate. The Group Restructuring has not yet been completed as at the reporting date of these financial statements.

On 6 January 2015, the Company entered into a sale and purchase agreement (as amended and supplemented by supplemental agreements dated 10 February 2015, 14 April 2015 and 13 May 2015) to purchase a Property in Shanghai, the PRC, at a consideration of RMB1,566,032,890. The Property comprised a building with office and retail units and parking spaces which together has an aggregate gross floor area of 16,352.29 square metres. The acquisition of the Property has been approved by the Shareholders at the extraordinary general meeting of the Company on 30 March 2015 and the acquisition of the Property has not yet been completed as at the reporting date of these financial statements but was subsequently completed in August 2015. Details of the acquisition were included in the Company’s announcements dated 6 January 2015, 30 January 2015, 10 February 2015, 14 April 2015, 15 April 2015 and 13 May 2015, and the circular dated 26 February 2015. As at 30 June 2015, an amount of approximately HK\$202 million has been paid and has classified as non-current prepayments and deposits in the interim condensed consolidated statement of financial position in these financial statements.

On 14 April 2015, the Company entered into a disposal agreement (the “Disposal Agreement”) to dispose of 40% of the total issued share capital of Sino Gas BVI at a consideration of HK\$75 million. The Disposal Agreement was terminated on 28 May 2015 due to events not controllable by the Company. Details of the Disposal Agreement and its termination were included in the Company’s announcements dated 14 April 2015 and 28 May 2015.

Save as disclosed above, the Group had no other material acquisitions or disposals during the period.

### **Staff Benefits**

At 30 June 2015, the Group had total of 1,383 employees (2014: 1,314). The staff costs for the six-month period ended 30 June 2015 amounted to approximately HK\$57.4 million (2014: HK\$53.9 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 adopted a new share option scheme on 25 June 2015 whereby eligible participants may be granted options to acquire shares of the Company (“Shares”). No share option has been granted during the period and up to the date of this announcement. There was no major change on staff remuneration policies during the period.

### **Human Resources**

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group provides internal training and finances continuing study for existing staff as part of the welfare or incentive system for staff. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan for their career development, which lays a solid foundation for sound and sustainable development of the Group.

### **Pledge of Assets**

As at 30 June 2015, the Group had pledged certain land use rights 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.

### **NEW SHARES ISSUED**

On 7 May 2015, the Company entered into a placing and top-up subscription agreement for the placement up to 876,000,000 placing Shares at a price of HK\$0.41 per placing Share. The share placing arrangement was completed on 15 May 2015. The net proceeds of approximately HK\$352 million are used by the Company as general working capital.

During the six months ended 30 June 2015, convertible notes amounting to HK\$28,769,508 and HK\$60,000,000 were converted into 146,783,202 conversion Shares and 300,000,000 conversion Shares at conversion prices of HK\$0.196 (adjusted) and HK\$0.20, respectively.

During the six months ended 30 June 2015, in aggregate of 129,680,000 option Shares were allotted and issued to share option holders at exercise prices ranging from HK\$0.20 to HK\$0.236. The subscription monies are used by the Company as general working capital.

## **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 period ended 30 June 2015, 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. However, the non-executive Directors of the Company are subject to retirement and re-election at least once every three years in accordance with the articles of association of the Company.
- (ii) Mr. Ji Guirong, the chairman and non-executive Director, Mr. Hu Xiaowen and Mr. Gong Changhui, both independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 25 June 2015 (the “AGM”) as provided for in code provision A.6.7 as they had other engagements in the PRC.
- (iii) the Company did not have formal letters of appointment for non-executive Directors as provided for in code provision D.1.4. However, the non-executive Directors shall be subject to retirement and re-election in accordance with the articles of association of the Company. Moreover, the non-executive Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry, and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors. In addition, the non-executive Directors are required to comply with the requirements under statute and common law, the Listing Rules, Companies Ordinance, legal and other regulatory requirements, if applicable.
- (iv) Mr. Ji Guirong, the chairman of the Company, was unable to attend the AGM as provided for in code provision E.1.2 as he was on other engagement in the PRC. However, Mr. Xiao Wei, an executive Director of the Company, took the chair of the AGM and an independent non-executive Director, being a member of each of the audit committee of the Company (the “Audit Committee”), the remuneration committee of the Company (the “Remuneration Committee”) and the nomination committee of the Company (the “Nomination Committee”) was present thereat and was available to answer questions to ensure effective communication with the Shareholders.

## **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.

## **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.

## **REMUNERATION COMMITTEE**

The Remuneration Committee, comprises the non-executive Director, Mr. Ji Guirong, and the independent non-executive Directors, namely Mr. Hu Xiaowen (chairman of the Remuneration Committee), Mr. Gong Changhui and Mr. Wu Meng, is responsible for making recommendations to the Board on the Company’s remuneration policy and structure for all directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

## **NOMINATION COMMITTEE**

The Nomination Committee comprises the non-executive Director, Mr. Ji Guirong (chairman of the Nomination Committee), the independent non-executive Directors, namely Mr. Hu Xiaowen, Mr. Gong Changhui and Mr. Wu Meng. The principal duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to the Board on appointment and re-appointment of Directors.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee. The figures in respect of this preliminary announcement of the Group’s results for period ended 30 June 2015 have been agreed by 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 OF HONG KONG LIMITED AND THE COMPANY**

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.avicjoyhk.com.hk](http://www.avicjoyhk.com.hk)). The interim report of the Company for the six months ended 30 June 2015 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*

Hong Kong, 27 August 2015

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