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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of AVIC Joy Holdings (HK) Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	<i>Note</i>	2016 HK\$’000	2015 HK\$’000
REVENUE	4	357,628	1,236,123
Cost of sales		<u>(273,330)</u>	<u>(1,034,050)</u>
Gross profit		84,298	202,073
Other income and gain	4	50,723	82,547
Selling and distribution expenses		(39,979)	(85,612)
Administrative expenses		(117,372)	(199,285)
Other operating and non-operating expenses, net		(45,946)	(45,136)
Fair value losses on investment properties, net		(234)	(32,675)

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Impairment of goodwill		–	(83,241)
Gain/(loss) on disposal of subsidiaries		(5,938)	32,271
Gain on disposal of an associate		25,105	–
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)		(81,303)	–
Finance costs	6	(146,132)	(115,986)
Share of profits and losses of joint ventures		4,741	4,357
Share of profits and losses of associates		7,721	(26,243)
		<hr/>	<hr/>
LOSS BEFORE TAX	5	(264,316)	(266,930)
Income tax expense	7	(1,030)	(11,161)
		<hr/>	<hr/>
LOSS FOR THE YEAR		(265,346)	(278,091)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the parent		(259,711)	(294,968)
Non-controlling interests		(5,635)	16,877
		<hr/>	<hr/>
		(265,346)	(278,091)
		<hr/> <hr/>	<hr/> <hr/>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	(HK4.37 cents)	(HK5.45 cents)
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
LOSS FOR THE YEAR	(265,346)	(278,091)
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	(144,061)	22,163
Reclassification adjustment for impairment loss included in the consolidated statement of profit or loss	<u>81,303</u>	<u>—</u>
	(62,758)	22,163
Exchange differences:		
Exchange differences on translation of foreign operations	(32,593)	(84,506)
Reclassification adjustments for foreign operations disposed of during the year	<u>(23,589)</u>	<u>(4,954)</u>
	(56,182)	(89,460)
NET OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(118,940)	(67,297)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(384,286)	(345,388)
Attributable to:		
Owners of the parent	(380,344)	(357,754)
Non-controlling interests	<u>(3,942)</u>	<u>12,366</u>
	(384,286)	(345,388)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		68,379	128,653
Investment properties		1,911,392	2,010,548
Prepaid land lease payments		18,222	9,670
Goodwill		87,242	87,242
Intangible assets		964,672	964,764
Investments in joint ventures		58,399	53,658
Investments in associates		–	53,653
Available-for-sale investments		63,719	207,780
Other asset		2,680	2,680
Prepayments and deposits		14,483	19,576
Finance lease receivables	11	19,414	–
Promissory notes receivable		168,000	256,514
		<hr/>	<hr/>
Total non-current assets		3,376,602	3,794,738
CURRENT ASSETS			
Inventories		3,511	2,871
Contract for services	12	116,602	96,429
Trade and bills receivables	10	88,672	60,846
Prepayments, deposits and other receivables		217,670	215,846
Finance lease receivables	11	4,817	1,208
Promissory notes receivable		91,126	85,314
Due from joint ventures		235,104	240,234
Due from associates		–	16,546
Due from non-controlling shareholders		4,657	14,972
Loan receivable from a related company		–	3,581
Cash and bank balances		153,990	446,546
		<hr/>	<hr/>
Total current assets		916,149	1,184,393
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	13	3,771	18,057
Other payables and accruals		145,063	163,340
Finance lease payable		801	763
Convertible bonds		–	321,445
Interest-bearing bank and other borrowings		549,585	245,149
Loans from related companies		146,966	251,620
Due to a joint venture		8,596	11,072
Due to an associate		–	2,720
Tax payable		445	1,804
		<hr/>	<hr/>
Total current liabilities		855,227	1,015,970
		<hr/>	<hr/>
NET CURRENT ASSETS		60,922	168,423
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,437,524	3,963,161
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Convertible bonds		167,000	42,218
Finance lease payable		1,128	1,929
Interest-bearing bank and other borrowings		1,196,983	1,736,491
Loan from a related company		210,612	223,820
Loans from non-controlling shareholders		285,124	38,640
Deferred tax liabilities		244,161	245,054
		<hr/>	<hr/>
Total non-current liabilities		2,105,008	2,288,152
		<hr/>	<hr/>
Net assets		1,332,516	1,675,009
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	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	2,234,815	2,232,696
Equity component of convertible bonds		61,314	90,139
Other reserves		(1,358,190)	(1,035,269)
		937,939	1,287,566
Non-controlling interests		394,577	387,443
Total equity		<u>1,332,516</u>	<u>1,675,009</u>

NOTES:

1. CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited is a limited liability company incorporated in Hong Kong whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Room A02, 35/F, United Centre, 95 Queensway, Hong Kong.

During the year, the Group was principally involved in the operation of compressed natural gas (“CNG”) and liquefied petroleum gas (“LPG”) refueling stations, management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”), provision of finance lease and loan services and properties investment, provision of land development services and 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. The principal activity of the Company is investment holding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale investment and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the financial years ended 31 December 2016 and 2015 included in this announcement of annual results do not constitute the Company’s statutory annual consolidated financial statements for those financial years 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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 16 and HKAS 38	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 41	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011)	<i>Agriculture: Bearer Plants</i>
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i>
	Amendments to a number of HKFRSs

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

3. 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, LPG 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. 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 goodwill, items of property, plant and equipment, an investment in an associate and available-for-sale investments, gain/loss on disposal of subsidiaries and an associate, loss on disposal of an investment property, share of profits and losses of joint ventures and associates, fair value losses on investment properties, net, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, other asset, promissory notes receivable, an available-for-sale investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, promissory notes payable, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

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.

In the prior year, as a result of a restructuring, the Group's subsidiary operating the management and operation of LED EMC had become a joint venture of the Group.

Year ended 31 December 2016

	Sale of CNG, LPG and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC <i>HK\$'000</i>	Provision of finance lease and loan services and properties investment <i>HK\$'000</i>	Provision of land development services and sale of construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Revenue from external customers	214,309	-	-	126,617	340,926
Interest income	-	-	16,702	-	16,702
	<u>214,309</u>	<u>-</u>	<u>16,702</u>	<u>126,617</u>	<u>357,628</u>
Segment results	(27,142)	(31)	(3,622)	(8,169)	(38,964)
<i>Reconciliation:</i>					
Interest income					5,435
Loss on disposal of subsidiaries					(5,938)
Gain on disposal of an associate	25,105	-	-	-	25,105
Loss on disposal of an investment property	(2,644)	-	-	-	(2,644)
Share of profits and losses of:					
Joint ventures	(6,514)	11,255	-	-	4,741
Associates	9,087	-	-	-	9,087
Share of loss of an associate – unallocated					(1,366)
Impairment of items of property, plant and equipment	(2,801)	-	-	-	(2,801)
Impairment of an investment in an associate					(2,822)
Impairment of available-for-sale investments	(5,915)	-	-	-	(5,915)
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)					(81,303)
Finance costs	(2,904)	-	(70,330)	(3,942)	(77,176)
Finance costs – unallocated					(68,956)
Fair value losses on investment properties, net	-	-	(234)	-	(234)
Corporate and other unallocated expenses					(20,565)
Loss before tax					(264,316)
Income tax expense					(1,030)
Loss for the year					<u>(265,346)</u>

Year ended 31 December 2016

	Sale of CNG, LPG and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC <i>HK\$'000</i>	Provision of finance lease and loan services and properties investment <i>HK\$'000</i>	Provision of land development services and sale of construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	225,503	56,219	2,179,212	1,416,630	3,877,564
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,143,470)
Corporate and other unallocated assets					<u>2,558,657</u>
Total assets					<u><u>4,292,751</u></u>
Segment liabilities	272,598	208,402	1,076,796	527,951	2,085,747
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,143,470)
Corporate and other unallocated liabilities					<u>3,017,958</u>
Total liabilities					<u><u>2,960,235</u></u>
Other segment information:					
Other impairment losses/provision recognised in the statement of profit or loss	19,807	-	-	-	19,807
Other impairment losses/provision recognised in the statement of profit or loss – unallocated					4,585
Depreciation and amortisation	17,021	-	1,676	569	19,266
Depreciation and amortisation – unallocated					1,270
Investments in joint ventures	25,661	32,738	-	-	58,399
Capital expenditure*	3,828	-	88	-	3,916
Capital expenditure – unallocated*					<u>1,518</u>

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

Year ended 31 December 2015

	Sale of CNG, LPG, LNG and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC and trading of LED products <i>HK\$'000</i>	Provision of finance lease and loan services and properties investment <i>HK\$'000</i>	Provision of land development services and sale of construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Revenue from external customers	1,041,587	95,337	–	97,540	1,234,464
Interest income	–	–	1,659	–	1,659
Finance income on concession finance and trade receivables	–	37,233	–	–	37,233
Intersegment revenue	–	–	16,539	–	16,539
	<u>1,041,587</u>	<u>132,570</u>	<u>18,198</u>	<u>97,540</u>	<u>1,289,895</u>
<i>Reconciliation:</i>					
Elimination of intersegment revenue					(16,539)
Reclassification of finance income to other income					<u>(37,233)</u>
Revenue					<u>1,236,123</u>
Segment results	10,770	32,054	(10,948)	(10,392)	21,484
<i>Reconciliation:</i>					
Interest income					10,091
Gain on disposal of subsidiaries	29,423	–	–	–	29,423
Gain on deemed disposal of subsidiaries	–	2,848	–	–	2,848
Share of profits and losses of joint ventures	4,031	326	–	–	4,357
Share of profits and losses of associates	(26,243)	–	–	–	(26,243)
Impairment of goodwill	(83,241)	–	–	–	(83,241)
Impairment of items of property, plant and equipment	(22,445)	–	–	–	(22,445)
Finance costs	(10,774)	(16,496)	(27,190)	(3,369)	(57,829)
Finance costs – unallocated					(58,157)
Fair values losses on investment properties, net	(4,629)	–	(28,046)	–	(32,675)
Corporate and other unallocated expenses					<u>(54,543)</u>
Loss before tax					(266,930)
Income tax expense					<u>(11,161)</u>
Loss for the year					<u>(278,091)</u>

Year ended 31 December 2015

	Sale of CNG, LPG, LNG and petroleum products <i>HK\$'000</i>	Management and operation of LED EMC and trading of LED products <i>HK\$'000</i>	Provision of finance lease and loan services and properties investment <i>HK\$'000</i>	Provision of land development services and sale of construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	345,753	46,308	2,351,359	1,357,716	4,101,136
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(205,990)
Corporate and other unallocated assets					1,083,985
Total assets					<u>4,979,131</u>
Segment liabilities	72,124	25	129,506	69,644	271,299
<i>Reconciliation:</i>					
Elimination of intersegment payables					(205,990)
Corporate and other unallocated liabilities					3,238,813
Total liabilities					<u>3,304,122</u>
Other segment information:					
Share of profits and losses of:					
Joint ventures	4,031	326	–	–	4,357
Associates	(26,243)	–	–	–	(26,243)
Gain on disposal of subsidiaries	(29,423)	–	–	–	(29,423)
Gain on deemed disposal of subsidiaries	–	(2,848)	–	–	(2,848)
Impairment of goodwill	83,241	–	–	–	83,241
Impairment of items of property, plant and equipment	22,445	–	–	–	22,445
Other impairment losses/provision recognised in the statement of profit and loss	6,230	–	–	–	6,230
Fair value losses on investment properties, net	4,629	–	28,046	–	32,675
Depreciation and amortisation	33,448	2,416	8,284	–	44,148
Depreciation and amortisation – unallocated					1,158
Investments in joint ventures	32,175	21,483	–	–	53,658
Investments in associates	53,653	–	–	–	53,653
Capital expenditure*	<u>18,418</u>	<u>27</u>	<u>1,945,866</u>	<u>2,672</u>	<u>1,966,983</u>

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

4. REVENUE, OTHER INCOME AND GAIN

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sale of gas and petroleum products	214,309	1,041,587
Management and operation revenue of LED EMC	–	95,337
Sale of construction materials	126,617	97,540
Interest income on finance leases and loans	16,702	1,659
	<u>357,628</u>	<u>1,236,123</u>
Other income and gain		
Interest income	677	8,905
Loan interest income	–	460
Promissory notes interest income	4,758	726
Finance income on concession finance and trade receivables	–	37,233
Government grants received*	–	7,086
Gross rental income	1,288	2,802
Compensation income	22,875	–
Exchange gain, net	18,116	16,272
Others	3,009	9,063
	<u>50,723</u>	<u>82,547</u>

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

5. LOSS BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold and operation costs of gas refueling stations*	150,292	868,338
Construction and operation costs of LED EMC*	–	70,338
Cost of construction materials sold*	123,038	95,374
Auditor's remuneration	3,300	3,450
Depreciation on items of property, plant and equipment**	19,838	39,699
Amortisation of prepaid land lease payments	651	4,563
Amortisation of intangible assets	47	1,044
Gain on deemed disposal of subsidiaries	–	(2,848)
Gain/(loss) on disposal of subsidiaries	5,938	(29,423)
Gain on disposal of an associate	(25,105)	–
Loss on disposal of items of property, plant and equipment***	7,372	2,936
Loss on disposal of an investment property***	2,644	–
Impairment of items of property, plant and equipment***	2,801	22,445
Impairment of trade receivables***	2,014	917
Impairment of prepayments and other receivables***	17,793	5,313
Impairment of goodwill	–	83,241
Impairment of an amount due from an associate***	4,585	–
Impairment of an investment in an associate***	2,822	8,525
Impairment of available-for-sale investments***	5,915	5,000
Fair value losses on investment properties, net	234	32,675
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)	81,303	–
Minimum lease payments under operating leases in respect of land and buildings	13,485	14,519
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind**	47,524	96,621
Pension scheme contributions	381	326
	47,905	96,947
Foreign exchange differences, net	(18,116)	(16,272)

* Included in cost of sales on the face of the consolidated statement of profit and loss.

** In the prior year, depreciation charges of HK\$8,214,000 and wages, salaries, allowance and benefits in kind of HK\$6,001,000 were also included in cost of inventories sold and operation costs of gas refueling stations.

*** Included in "Other operating and non-operating expenses, net" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and other loans (including convertible bonds and promissory notes payable)		
Bank loans	75,712	57,829
Other loans	38,300	18,842
Convertible bonds	30,657	37,315
Promissory notes payable	–	2,000
Financing arrangement fees	1,463	–
	<u>146,132</u>	<u>115,986</u>

7. 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 year (2015: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Mainland China		
Charge for the year	1,923	14,458
Deferred	(893)	(3,297)
	<u>1,030</u>	<u>11,161</u>

8. 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 year attributable to ordinary equity holders of the parent of HK\$259,711,000 (2015: HK\$294,968,000), and the weighted average number of ordinary shares of 5,943,745,741 (2015: 5,410,328,440) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

The directors do not recommend the payment of dividend to shareholders for the year ended 31 December 2016 (2015: Nil).

10. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade and bills receivables	91,616	61,776
Impairment	(2,944)	(930)
	88,672	60,846

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

As at 31 December 2016, certain trade receivables with aggregate carrying amounts of HK\$835,000 (2015: Nil) were pledged to secure a loan advanced from a third party.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 90 days	88,672	58,788
91 to 120 days	–	388
121 days to 1 year	–	1,670
Over 1 year	2,944	930
	91,616	61,776

11. 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	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance lease receivables comprise:				
Within one year	6,962	1,496	4,817	1,208
In the second to fifth years, inclusive	23,172	–	19,414	–
	30,134	1,496	24,231	1,208
Less: unearned finance income	(5,903)	(288)		
Present value of minimum lease payments	24,231	1,208		
Analysed for reporting purposes as:				
Current assets	4,817	1,208		
Non-current assets	19,414	–		
	24,231	1,208		

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

As at 31 December 2016, the Group's finance lease receivables with aggregate carrying amount of HK\$24,231,000 (2015: HK\$252,000) are pledged as security for the Group's certain bank loans.

12. CONTRACT FOR SERVICES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contract costs in relation to land development services incurred to date and gross amount due from a contract customer	116,602	96,429

13. TRADE AND BILLS PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 90 days	1,278	16,825
91 to 120 days	15	–
Over 120 days	2,478	1,232
	<u>3,771</u>	<u>18,057</u>

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

In the prior year, the Group's bills payable which were denominated in RMB amounting to HK\$7,162,000 had an average maturity period of 90 days.

14. SHARE CAPITAL

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Issued and fully paid:		
5,943,745,741 ordinary shares	2,234,815	2,232,696

All the shares issued during the year rank pari passu in all respects with the existing shares.

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

	Number of share in issue	Share capital <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	4,483,782,539	1,729,752	1,729,752
Convertible bonds exercised (<i>note (a)</i>)	446,783,202	94,011	94,011
Share options exercised (<i>note (b)</i>)	137,180,000	43,268	43,268
Transfer of share option reserve upon lapse of options	–	12,280	12,280
Share placement and top-up subscription (<i>note (c)</i>)	876,000,000	353,385	353,385
At 31 December 2015 and 1 January 2016	5,943,745,741	2,232,696	2,232,696
Transfer of share option reserve upon lapse of share options	–	2,119	2,119
At 31 December 2016	<u>5,943,745,741</u>	<u>2,234,815</u>	<u>2,234,815</u>

Notes:

- (a) The subscription rights attaching to convertible bonds in a principal amount of HK\$88,770,000 were exercised at the subscription price of HK\$0.2 per share, resulting in the issue of 443,847,538 shares at a total consideration, before expenses, of HK\$82,501,000. An amount of HK\$11,510,000 was transferred from the equity component of convertible bonds to share capital in respect of the exercise of convertible bonds. Additional 2,935,664 conversion shares were issued by the Company to a bondholder on 4 June 2015 as a result of the conversion price adjustment from HK\$0.2 to HK\$0.196 subsequent to the completion of the placing and top-up subscription agreement on 15 May 2015 in accordance with the terms of the convertible bonds.
- (b) The subscription rights attaching to 137,180,000 share options were exercised at the subscription prices of HK\$0.20 to HK\$0.236 per share, resulting in the issue of 137,180,000 shares for a total cash consideration, before expenses, of HK\$31,416,000. An amount of HK\$11,852,000 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (c) On 7 May 2015, the Company entered into a placing and top-up subscription agreement (the “Subscription Agreement”) pursuant to which the Company issued and allotted 876,000,000 new ordinary shares (“Placing Shares”) at a price of HK\$0.41 per Placing Share on 15 May 2015 to not less than six independent placees, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, raising in aggregate HK\$359,160,000 (before issue expenses) in cash to provide for general working capital for the Group. After taking into account the share issue expenses of approximately HK\$5,775,000, the net price per Placing Share issue was about HK\$0.403. The closing price of the Company’s share as quoted on The Stock Exchange of Hong Kong Limited on 6 May 2015, being the date immediate preceding the date on which the Company agreed on the terms of the Subscription Agreement including the issue price of the Placing Share, was HK\$0.51 per share.

CHAIRMAN'S STATEMENT

2016 was another difficult year for the Group amid intensified competition in China market and pressure on lower gas prices. The consolidated revenue of the Group for the year ended 31 December 2016 reduced from HK\$1,236.1 million to HK\$357.6 million due to reduction in revenue contribution from the gas segment subsequent to completion of the disposal of certain gas business in 2015. Being affected by the increase in finance cost, the impairment losses recognized in gas business, and also a significant impairment of an available-for-sales investment, the Group made a loss attributable to the owners of the parent of HK\$259.7 million (2015: HK\$295 million) for the year ended 31 December 2016.

For the year ended 31 December 2016, as impacted by the intense competition in the downstream gas markets, gas price was under pressure and sales volume decreased during 2016. As a result, gas business segment of the Group recorded a reduced total revenue of HK\$214.3 million (2015: HK\$1,041.6 million), decreased by 79.4% compared to last year. Following the termination of the share transfer agreement to dispose of the natural gas companies in Shandong Province, Sichuan Province and Anhui Province, the Group will strive to improve the performance of gas business and will continue to consider disposing the remaining gas business when suitable opportunities arise in the future.

Although the Group's subsidiary Guangdong Zi Yu Tai Finance Leasing Company Limited* (廣東資雨泰融資租賃有限公司) has undertaken a few new finance leasing projects in the second half of 2016, the business segment recorded a turnover of HK\$16.7 million (2015: HK\$18.2 million), representing a decrease of 8.2% from the previous year as a result of the reducing interest income of existing LED finance leasing contracts. With an objective of balancing sustainable revenue growth and prudent risk management, the Group has been diversifying customer base in various industries, including healthcare sector in the People's Republic of China (the "PRC").

The Grade-A office markets within the core business district in Shanghai remained relatively stable in 2016, the Group will study the prevailing market conditions to formulate an optimal business strategy for the commercial property.

During the year, the Group's business in Fuqing City, Fujian Province recorded sales revenue of HK\$126.6 million (2015: HK\$97.5 million) which was mainly attributed to sales of construction materials. In respect of the PPP Class 1 land development of New Central Coastal City* (中部濱海新城) (the "Project Land") and the construction work of Ronggang Boulevard* (融港大道), approximately 500 mu parcel of land within an aggregate developable commercial and residential land of 3,990 mu has been developed. The Group will continue with land development and launch land auctioning in 2017 as and when market conditions are right.

* For identification purpose only

Looking into 2017, the Group will continue to look for ways to improve the efficiency of resources allocation, enhance capital structure, as well as seek potential acquisition and business opportunities to increase the value of the shareholders of the Company (the “Shareholders”).

Finally, I would also like to extend my appreciation to all the Shareholders, the Board, the management team, employees and stakeholders for their support during the year.

Zhu Dong
Chairman

Hong Kong
24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2016, the principal business activities of the Group comprise operation of compressed natural gas (“CNG”) and liquefied petroleum gas (“LPG”) refueling stations, provision of finance lease and loan financing services and properties investment, class 1 land development and sales of construction materials in the PRC.

During the year, the Group recorded consolidated revenue amounted to HK\$357.6 million (2015: HK\$1,236.1 million), decreased by HK\$878.5 million from last year, which was mainly due to reduction in revenue contribution from gas segment subsequent to the completion of the disposal of certain gas business in 2015.

The Group’s gross profit for the year ended 31 December 2016 was HK\$84.3 million (2015: HK\$202.1 million), representing a decrease of 58.3% as compared with last year.

The net loss of the Group amounted to HK\$265.3 million during the year, slightly narrowed by HK\$12.8 million from HK\$278.1 million in 2015. The net loss was mainly attributable to (i) the increase in finance cost; (ii) the impairment losses on prepayments and other receivables in gas business; and (iii) the impairment loss of an available for sales investment amounted to HK\$81.3 million during the year.

Operational Review

(1) Gas Business

Against the backdrop of the intensified market competition and the deconsolidation of the disposal of certain gas subsidiaries since October 2015, the total revenue of the gas business slid to HK\$214.3 million (2015: HK\$1,041.6 million), representing a decline of 79.4% from last year, as the sales volume of CNG dropped to 56,708,000 m³ (2015: 132,161,000 m³). In 2016, the gas segment recorded a segment loss of HK\$27.1 million against a profit of HK\$10.8 million in last year.

On 10 October 2016, the Group had entered into a share transfer agreement to dispose of the natural gas companies in Shandong Province, Sichuan Province and Anhui Province whereas the disposal was eventually terminated as disclosed in the Company’s announcement dated 5 January 2017. The Company and the purchaser are still handling the post-termination matters after the termination of the share transfer agreement and considered that there is no material adverse impact to the Group.

(2) *Finance Leasing Business and Properties Investment*

Although certain new finance leasing projects in healthcare sector has been obtained in the second half of 2016, the Group's finance leasing and loan services and properties investment segment recorded a total revenue of HK\$16.7 million (2015: HK\$18.2 million) for the year, representing a decrease of 8.2% as a result of the reducing interest income of existing LED finance leasing contracts.

During the year, the Group's commercial property in Shanghai has not been leased out as the Group is still in the process of formulating plans based on market conditions, including but not limited to lease the property or realize the property at an enhanced capital value.

The segment loss decreased to HK\$3.6 million during the year (2015: HK\$10.9 million), mainly because of the reduction of administration and property tax expenses incurred for the properties investment during the year.

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

The Group's business in Fuqing City, Fujian Province recorded sales revenue of HK\$126.6 million (2015: HK\$97.5 million) which was mainly generated from trading of construction materials. During the year, the Group's PPP class 1 land development business has made some positive progress. Approximately 500 mu parcel of Project Land located within the Fuqing City Central Baigeshanken District (福清市中部白鶴山墾區) has been developed, while the construction of Ronggang Boulevard has progressed in an orderly manner.

The loss of the segment slightly reduced to HK\$8.2 million during the year (2015: HK\$10.4 million), mainly due to the increase in revenue and lowered administration cost incurred during the year.

Business Outlook

The intensifying market competition and surging operating cost are expected to impose severe pressure to the Group's natural gas business. Looking ahead, in addition to improving the operating efficiency in the gas business, the Group will continue the restructuring plan and consider to dispose of the gas business when suitable opportunities arise in the future.

In 2016, Guangzhou municipal government has issued a work plan to further accelerate the development of finance leasing industry in respect of easing market operation requirements, in favor of the industry. The Group will continue to explore finance leasing opportunities in other business sectors with an aim to expand customer base and diversify income streams.

In order to facilitate the structural reform and industry upgrading, the Chinese Government is committed to accelerating opening up of the domestic economy and support the national development of the high-end service industry. As the commercial and financial center of China, Shanghai is expected to attract more business investments in financial services, technology, e-commerce and trade sectors, which will continue to support the demand for office space in Shanghai which is favorable to the Group's commercial building in Shanghai.

According to the 13th Five-Year Plan on National Economic and Social Development of Fuqing City, Fuqing city is to be developed into a new city which integrates, inter alia, high-tech companies, cultural and tourism industries, corporate headquarters. The Group will position itself to capitalize on the business opportunities arising from the development plan of the local government to maximize the return for the PPP class 1 land development business.

Financial Resources

As at 31 December 2016, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies, loans from non-controlling shareholders and convertible bonds) amounted to approximately HK\$2,556.3 million (2015: HK\$2,859.3 million), of which HK\$1,746.6 million (2015: HK\$1,979.5 million) was related to bank and other borrowings at operating subsidiaries level funding the local PRC operations and the new mortgage loan for Shanghai property investment denominated in Renminbi. Cash and bank balances amounted to HK\$154 million (2015: HK\$446.5 million). Net borrowing amounted to HK\$2,402.3 million (2015: HK\$2,412.8 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net borrowing divided by equity attributable to owners of the parent of HK\$938 million (2015: HK\$1,287.6 million) plus net borrowing, was 71.9% (2015: 65.2%).

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

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

Material Acquisition and Disposal

On 7 October 2016, the Company, Great Concept Investments Holdings Limited (偉念投資集團有限公司) (“Great Concept”) as vendor, a direct wholly-owned subsidiary of the Company, Best Creation Group Holdings Limited (創隆集團控股有限公司) (“Best Creation”) as purchaser and Sino Gas Holdings Group Limited (中油潔能控股集團有限公司) (“Sino Gas BVI”), an associated company of the Company as at the date of the Agreement, have entered into an agreement (the “Agreement”), in relation to (i) the disposal of 40% of the total issued share capital of Sino Gas BVI to Best Creation for a consideration of HK\$79,000,000; and (ii) the disposal of the loan in the amount of HK\$11,134,480 owed to the Company by China Full Company Limited (創意豐有限公司), a subsidiary of Sino Gas BVI as at the date of the Agreement, for a consideration of HK\$9,300,000 (the “Disposal”). The Disposal was completed in October 2016. Details of the Agreement were disclosed in the Company’s announcement dated 7 October 2016.

On 10 October 2016, the Company and 廣州佳聯能源有限公司 (Guangzhou Jialian Energy Company Limited*) (“廣州佳聯”) as purchaser have entered into a share transfer agreement (the “Share Transfer Agreement”) in relation to the disposal of the entire equity interest in (i) 山東中油潔能天然氣有限公司 (Shandong Sinogas Company Limited*); (ii) Winfield Innovations Limited (永輝創建有限公司); and (iii) 安徽中油潔能燃氣有限公司 (Anhui Sinogas Company Limited*), indirect wholly-owned subsidiaries of the Company, at an aggregate consideration of RMB175,818,678.25 (equivalent to approximately HK\$203.9 million). The Share Transfer Agreement has been approved by the Shareholders at the extraordinary general meeting of the Company held on 22 December 2016. However, the Share Transfer Agreement was terminated on 31 December 2016 (being the long stop date of the Share Transfer Agreement) as the necessary approvals and consents from the relevant governmental and regulatory authorities for the transactions contemplated under the Share Transfer Agreement had not been obtained and no agreement was reached by the Company and 廣州佳聯 to extend the relevant long stop date. Details of the Share Transfer Agreement were disclosed in the Company’s announcements dated 10 October 2016, 25 October 2016, 22 December 2016, 5 January 2017 and the Company’s circular dated 18 November 2016.

* For identification purpose only

Staff Benefits

As at 31 December 2016, the Group had a total of 491 employees (2015: 590). The staff costs for the year ended 31 December 2016 amounted to approximately HK\$49 million (2015: HK\$101.2 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change to staff remuneration policies during the year.

Human Resources

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

Pledge of Assets

As at 31 December 2016, the Group had pledged certain land use rights, trade receivables, properties and finance lease receivables for bank borrowings granted.

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

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to pursuing strict and high standards of corporate governance since the Board believes that good corporate governance practices are essential to achieving the Group's objectives of enhancing corporate value as well as safeguarding the interests of the Shareholders.

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 December 2016, save and except as disclosed hereunder:

- (i) code provision A.4.1 stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive directors of the Company were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with the articles of association of the Company (the “Articles”); and
- (ii) code provision D.1.4 stipulates that listed issuer should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for directors of the Company (the “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 law, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), legal and other regulatory requirements, if applicable.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as the code of conduct regarding securities transaction by its Directors. The Directors are required to strictly comply with the Model Code when dealing in the securities of the Company.

Following specific enquiry made by the Company, all the Directors confirmed their compliance with the required standards as set out in the Model Code during the year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company’s auditors, Ernst & Young (“EY”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by EY 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 HKICPA and consequently no assurance has been expressed by EY on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2016 of the Group have been reviewed by the audit committee of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.avicjoyhk.com). The annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the same websites in due course.

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

Hong Kong, 24 March 2017

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