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 2018

The board (the "**Board**") of directors (the "**Directors**") 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 2018 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	3	**139,822**	252,606
Cost of sales		**(95,672)**	(190,488)
Gross profit		**44,150**	62,118
Other income, gains and losses	3	**13,442**	(15,506)
Impairment losses, net of reversal		**(37,094)**	(22,156)
Selling and distribution expenses		**(14,713)**	(41,177)
Administrative expenses		**(76,324)**	(124,191)
Other expenses		**(2,138)**	(12,683)
Fair value losses on investment properties, net		**(245,912)**	(696)
Impairment of goodwill		**(331)**	(48,206)
Impairment of intangible assets		**(423,816)**	–
Gain on disposal of subsidiaries		**52,660**	27,742
Gain on disposal of a joint venture		**8,537**	–
Share of profits of joint ventures		**8,226**	12,900
Finance costs	5	**(127,799)**	(148,331)
LOSS BEFORE TAX	4	**(801,112)**	(310,186)
Income tax credit/(expense)	6	**104,629**	(8,249)
LOSS FOR THE YEAR		**(696,483)**	(318,435)
Attributable to:			
Owners of the Company		**(517,071)**	(302,643)
Non-controlling interests		**(179,412)**	(15,792)
		(696,483)	(318,435)
LOSS PER SHARE			
Basic and diluted	7	**(HK8.70 cents)**	(HK5.09 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(696,483)**	(318,435)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:		
Item that will not be reclassified to profit or loss:		
Fair value loss on investment in equity instrument at fair value through other comprehensive income	**(42,111)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(34,535)**	58,540
Reclassification adjustments for foreign operations disposed of during the year	**(10,608)**	(7,525)
Other comprehensive (expenses)/income for the year, net	**(87,254)**	51,015
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	**(783,737)**	(267,420)
Total comprehensive expenses attributable to:		
Owners of the Company	**(602,186)**	(253,102)
Non-controlling interests	**(181,551)**	(14,318)
	(783,737)	(267,420)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 *HK$'000*	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**20,495**	39,896
Prepaid land lease payments		**6,466**	18,269
Investment properties		**1,707,264**	2,047,200
Goodwill		**29,285**	32,402
Intangible assets		**540,776**	964,672
Investments in joint ventures		**65,249**	71,299
Equity instrument at fair value through other comprehensive income		**16,622**	–
Available-for-sale investment		**–**	58,733
Other asset		**2,680**	2,680
Prepayments and deposits		**5,285**	7,414
Finance lease receivables	10	**22,340**	26,163
		2,416,462	3,268,728
CURRENT ASSETS			
Inventories		**11**	2,634
Contract costs		**289,918**	148,835
Trade receivables	9	**31,437**	82,158
Prepayments, deposits and other receivables		**53,915**	206,107
Finance lease receivables	10	**8,807**	6,943
Promissory note receivable		**89,000**	89,000
Amounts due from joint ventures		**158,640**	218,515
Amounts due from non-controlling shareholders		**–**	311
Bank balances and cash		**40,484**	34,867
		672,212	789,370

	Notes	**2018** *HK$'000*	2017 *HK$'000*
CURRENT LIABILITIES			
Trade payables	11	**8,720**	20,977
Other payables and accruals		**99,854**	73,064
Finance lease payable		**–**	840
Convertible bonds		**–**	182,011
Interest-bearing bank and other borrowings		**487,573**	415,741
Loans from joint ventures		**8,736**	9,196
Tax payable		**3,226**	2,360
		608,109	704,189
NET CURRENT ASSETS		**64,103**	85,181
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,480,565**	3,353,909
NON-CURRENT LIABILITIES			
Finance lease payable		**–**	288
Interest-bearing bank and other borrowings		**1,196,598**	1,378,030
Loans from related companies		**564,982**	372,253
Loans from non-controlling shareholders		**307,779**	296,509
Deferred tax liabilities		**135,770**	241,733
		2,205,129	2,288,813
NET ASSETS		**275,436**	1,065,096
CAPITAL AND RESERVES			
Share capital		**2,234,815**	2,234,815
Equity component of convertible bonds		**–**	61,314
Other reserves		**(2,152,164)**	(1,611,292)
Equity attributable to owners of the Company		**82,651**	684,837
Non-controlling interests		**192,785**	380,259
		275,436	1,065,096

NOTES:

1.1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the amendments to the HKFRSs and the interpretation, in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of CNG and petroleum products
- Provision of land development services

Summary of effects arising from initial application of HKFRS 15

The adoption of HKFRS 15 does not have material impact on the timing and amounts of revenue recognised by the Group from sales of goods and services.

There was no significant impact to the consolidated statement of financial position of the Group as at 1 January 2018 and 31 December 2018.

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Summary of effects arising from initial application of HKFRS 9

From AFS equity investments to equity instruments at fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as AFS investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$58,733,000 were reclassified from AFS investments to equity instruments at FVTOCI, which is all related to listed equity investments previously measured at fair value under HKAS 39. In addition, impairment losses previously recognised of HK$86,289,000 were transferred from accumulated losses to investment revaluation reserve as at 1 January 2018.

2. SEGMENT INFORMATION

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

(a) Sales of CNG and petroleum products of the Group's gas station operation;

(b) Management and operation of LED EMC;

(c) Provision of finance lease and loan services and properties investment; and

(d) Provision of land development services and sales of construction materials.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that finance costs, depreciation and amortisation, as well as head office and corporate expenses are excluded from such measurement.

For the presentation of the Group's geographical information, revenues and results information is attributed to the segments 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.

For the sales of construction materials, the Group has nil revenue for the year ended 31 December 2018 (2017: HK$49,405,000 from a single customer).

The following table presents revenue and profit/(loss) for the Group's primary segments for the year ended 31 December 2018 and 2017.

Year ended 31 December 2018

	Sales of CNG and petroleum products *HK$'000*	Management and operation of LED EMC *HK$'000*	Provision of finance lease and loan services and properties investment *HK$'000*	Provision of land development services and sales of construction materials *HK$'000*	Total *HK$'000*
Segment revenue:					
Revenue from external customers	128,756	–	–	–	128,756
Interest income	–	–	11,066	–	11,066
	128,756	–	11,066	–	139,822
Segment results	38,480	14,907	(333,019)	(464,453)	(744,085)
Reconciliation:					
Finance costs – unallocated					(50,350)
Corporate and other unallocated expenses					(6,677)
Loss before tax					(801,112)
Income tax credit					104,629
Loss for the year					(696,483)
Other segment information:					
Interest income	15	782	214	1,932	2,943
Depreciation and amortisation	(6,522)	–	(469)	(296)	(7,287)
Depreciation and amortisation – unallocated					(358)
Gain on disposal of subsidiaries	52,660	–	–	–	52,660
Gain on disposal of a joint venture	8,537	–	–	–	8,537
Share of profit and loss of joint ventures	(5,945)	14,171	–	–	8,226
Impairment of goodwill	–	–	–	(331)	(331)
Impairment of property, plant and equipment	(2)	–	–	–	(2)
Write-off of inventories	(279)	–	–	–	(279)
Impairment of trade receivables	–	–	–	(31,704)	(31,704)
Impairment of other receivables	(5,390)	–	–	–	(5,390)
Impairment of intangible assets	–	–	–	(423,816)	(423,816)
Finance costs	(3,849)	–	(71,226)	(2,374)	(77,449)
Fair value losses on investment properties, net	–	–	(245,912)	–	(245,912)
Capital expenditure*	(5,234)	–	–	–	(5,234)
Capital expenditure – unallocated*					(55)

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

Year ended 31 December 2017

	Sales of CNG and petroleum products *HK$'000*	Management and operation of LED EMC *HK$'000*	Provision of finance lease and loan services and properties investment *HK$'000*	Provision of land development services and sales of construction materials *HK$'000*	Total *HK$'000*
Segment revenue:					
Revenue from external customers	156,024	–	–	79,739	235,763
Interest revenue	–	–	16,843	–	16,843
	156,024	–	16,843	79,739	252,606
Segment results	(66,177)	20,427	(96,272)	(57,847)	(199,869)
Reconciliation:					
Interest income					4,469
Impairment of an available-for-sale investment					(4,986)
Finance costs – unallocated					(71,195)
Corporate and other unallocated expenses					(38,605)
Loss before tax					(310,186)
Income tax expense					(8,249)
Loss for the year					(318,435)
Other segment information:					
Interest income	37	2,118	157	2,067	4,379
Depreciation and amortisation	(16,541)	–	(1,319)	(503)	(18,363)
Depreciation and amortisation – unallocated					(1,055)
Gain on disposal of subsidiaries	27,742	–	–	–	27,742
Share of profit and loss of joint ventures	(5,440)	18,340	–	–	12,900
Impairment of goodwill	(8,886)	–	–	(39,320)	(48,206)
Impairment of property, plant and equipment	(7,986)	–	–	–	(7,986)
Write-off of inventories	(261)	–	–	–	(261)
Impairment of prepaid land lease payment	(1,991)	–	–	–	(1,991)
Impairment of an amount due from a non-controlling shareholder	(4,264)	–	–	–	(4,264)
Reversal of impairment of trade receivables	832	–	–	–	832
Impairment of prepayments	(10,431)	–	–	–	(10,431)
Impairment of other receivables	(11,764)	–	(6,960)	–	(18,724)
Finance costs	(3,549)	–	(66,337)	(7,250)	(77,136)
Fair value losses on investment properties, net	–	–	(696)	–	(696)
Capital expenditure*	(4,433)	–	(64)	–	(4,497)
Capital expenditure – unallocated*					(3,613)

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

3. REVENUE AND OTHER INCOME, GAINS AND LOSSES

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of CNG and petroleum products	**128,756**	156,024
Sales of construction materials	**–**	79,739
Interest income on finance leases and loans	**11,066**	16,843
	139,822	252,606
Other income		
Interest income	**247**	348
Loan interest income	**782**	2,118
Promissory note interest income	**1,914**	6,382
Government grants received*	**–**	107
Gross rental income	**1,124**	1,424
Sub-total	**4,067**	10,379
Other gains and losses, net		
Exchange gain/(loss), net	**7,562**	(11,236)
Gain/(loss) on disposal of property, plant and equipment	**694**	(1,753)
Impairment loss recognised in respect of property, plant and equipment	**(2)**	(7,986)
Impairment of an available-for-sale investment	**–**	(4,986)
Others	**1,121**	76
Sub-total	**9,375**	(25,885)
Total	**13,442**	(15,506)

* 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.

4. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold and operation costs of gas stations*	**95,672**	112,949
Cost of construction materials sold*	**–**	77,539
Auditor's remuneration	**1,380**	2,988
Depreciation on property, plant and equipment	**6,548**	17,362
Amortisation of prepaid land lease payments	**1,050**	2,010
Amortisation of intangible assets	**47**	46
Write-off of inventories**	**279**	261
Impairment of prepaid land lease payments**	**–**	1,991
Minimum lease payments under operating leases in respect of land and buildings	**6,065**	10,637
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**27,959**	46,983
Pension scheme contributions	**131**	415
	28,090	47,398

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

** Included in "other expenses" on the face of the consolidated statement of profit or loss.

5. FINANCE COSTS

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

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings (including convertible bonds)		
Bank loans	**69,965**	72,747
Loans from related companies	**28,216**	17,762
Other borrowings	**12,261**	16,144
Convertible bonds	**15,882**	21,646
Amortisation of financing arrangement fees	**1,475**	4,389
Finance charge on redemption of promissory notes receivable	**–**	15,643
	127,799	148,331

6. INCOME TAX (CREDIT)/EXPENSES

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current – Mainland China Enterprise Income Tax		
Charge for the year	**1,334**	3,135
Under provision in prior years	**–**	7,542
Deferred tax credit	**(105,963)**	(2,428)
	(104,629)	8,249

7. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK$517,071,000 (2017: HK$302,643,000), and the weighted average number of ordinary shares of 5,943,745,741 (2017: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2018 and 2017 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.

8. DIVIDEND

The directors do not recommend the payment of dividend to shareholders for the year ended 31 December 2018 (2017: Nil).

9. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**65,090**	84,270
Less: Allowance for credit losses	**(33,653)**	(2,112)
	31,437	82,158

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 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 receivables are non-interest-bearing.

As at 31 December 2018, certain trade receivables with aggregate carrying amounts of HK$1,757,000 (2017: HK$1,880,000) were pledged to secure a loan advanced from a third party.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**3,714**	55,786
91 to 120 days	**1**	26,309
121 days to 1 year	**5**	63
Over 1 year	**61,370**	2,112
	65,090	84,270

10. FINANCE LEASE RECEIVABLES

The Group provides finance 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance lease receivables comprise:				
Within one year	**12,412**	11,052	**8,807**	6,943
In the second to fifth years, inclusive	**28,097**	32,776	**22,340**	26,163
	40,509	43,828	**31,147**	33,106
Less: unearned finance income	**(9,362)**	(10,722)		
Present value of minimum lease payments	**31,147**	33,106		
Analysed for reporting purposes as:				
Current assets	**8,807**	6,943		
Non-current assets	**22,340**	26,163		
	31,147	33,106		

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

At 31 December 2018, the Group's finance lease receivables with a carrying amount of HK$31,147,000 (2017: HK$33,106,000) were pledged as security for the Group's certain bank loans.

11. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**7,548**	10,993
91 to 120 days	**1**	5,667
Over 120 days	**1,171**	4,317
	8,720	20,977

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

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the results of the Group for the year ended 31 December 2018 (the "**Year**").

During the Year, the Group continued to face intense competition in China market, which, coupled with frequent changes in policies in the recent years in China and the limited opportunities for growth offered in the market, raised difficulty for the Group's profitability. In the meantime, there was also a downward pressure for gas prices, which resulted in an undesired business revenue. The Group recorded a corresponding decrease in revenue contribution from the gas segment due to the completion of disposal of certain gas business in 2018.

The consolidated revenue of the Group reduced from approximately HK$252.6 million for the year ended 31 December 2017 to approximately HK$139.8 million for the Year. Affected by the impairment losses recognized in land development project and the changes in fair value of real estate investment, the Group made a loss attributable to the owners of the Company of approximately HK$517.1 million for the Year (2017: approximately HK$302.6 million).

For the Year, as impacted by the intense competition in the downstream gas markets, gas price was under pressure and sales volume decreased during 2018. As a result, gas business segment of the Group recorded a total revenue of approximately HK$128.8 million (2017: approximately HK$156.0 million), representing a decrease of 17% as compared to last year. In addition to devotion to the improvement of gas business performance, the Group also concluded the agreement for transfer of shares in gas companies in Shandong, Chengdu and Xuzhou, etc., and will continue to consider disposing of the remaining gas business when suitable opportunities arise in the future.

For the Year, the finance leasing segment through 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) recorded a turnover of approximately HK$11.1 million (2017: approximately HK$16.8 million), representing a decrease of 34% from the previous year.

The Grade-A office markets within the core business district in Shanghai remained relatively stable in 2018. The Group will study the prevailing market conditions to formulate an optimal business strategy for its commercial property.

During the Year, the Group's business in Fuqing City, Fujian Province did not record sales revenue (2017: approximately HK$79.7 million). The revenue recorded in 2017 was mainly derived from sales of construction materials while the Group suspended the business of sales of construction materials to effectively prevent business risks due to the low gross profit margin. 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), aggregate developable commercial and residential land amounts to 3,990 mu. The changes in domestic laws and regulations and the government attitude towards it resulted in slow development of the project. The Group will continue with the project development by active communication with the government in 2019.

* *For identification purpose only*

In 2019, in the hope of a gradual improvement of the Company's various business development, the Group will adjust its business segments, strengthen its management system and optimise its personnel structure in accordance with its business needs.

Looking into 2019, the Group will continue to look for ways to improve its efficiency of resources allocation, strengthen its capital structure, and seek potential acquisition and business opportunities to enhance the value enjoyed by 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 to the Group during the Year.

GUAN Liqun
Chairman

Hong Kong
28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Year, the principal business activities of the Group comprise operation of compressed natural gas ("**CNG**") stations, provision of finance lease and loan services and properties investment, class 1 land development in the People's Republic of China (the "**PRC**").

During the Year, the Group recorded consolidated revenue of approximately HK$139.8 million (2017: approximately HK$252.6 million), decreased by approximately HK$112.8 million from last year, which was mainly due to the reduction in revenue contribution from gas segment and sales of construction materials.

The Group's gross profit for the Year was approximately HK$44.2 million (2017: approximately HK$62.1 million), representing a decrease of 30% as compared with last year.

The net loss of the Group amounted to approximately HK$696.5 million during the Year, increased by approximately HK$378.1 million from approximately HK$318.4 million in 2017. The net loss was mainly attributable to (i) fair value losses of approximately HK$245.9 million on the Group's investment properties; (ii) the provision of an aggregate amount of approximately HK$423.8 million on the intangible assets net off by (iii) gain on disposal of subsidiaries amounted to approximately HK$52.7 million and income tax credit amounted to approximately HK$104.6 million during the Year.

Operational Review

(1) Gas Business

Against the backdrop of the intensified market competition and the deconsolidation of certain gas subsidiaries after disposal of gas companies in Shandong and Xuzhou thereof since September and November 2018, the total revenue of the gas business slid to approximately HK$128.8 million for the Year (2017: approximately HK$156.0 million), representing a decline of 17% from last year, as the sales volume of CNG dropped to approximately 37,517,000 m^3 (2017: approximately 44,706,000 m^3). In 2018, the gas segment recorded a segment gain of approximately HK$38.5 million (2017: loss of approximately HK$66.2 million). Since the Group commenced its restructuring in gas business in late 2014, gas business has been expected to deteriorate due to various factors, including among other things, (i) the economic slowdown in the provinces of the remaining gas business; (ii) the intensified market competition due to the changes in government policies; and (iii) the divergence of investment and operating strategies between the Group and business partners in certain business regions.

(2) Finance Lease and Loan Services and Properties Investment

The Group's finance lease and loan services and properties investment segment recorded a total revenue of approximately HK$11.1 million for the Year (2017: approximately HK$16.8 million), representing a decrease of 34% as a result of the decrease of interest income of LED finance lease 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 leasing the property or realising the property at an enhanced capital value.

The loss of this segment increased to approximately HK$333.0 million during the Year (2017: approximately HK$96.3 million), mainly due to fair value loss on investment properties during the Year.

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

The Group's business in Fuqing City, Fujian Province did not record sales revenue for the Year (2017: approximately HK$79.7 million). The revenue record in 2017 was mainly derived from sales of construction materials while the Group suspended the business of sales of construction materials to effectively prevent business risks due to the low gross profit margin.

The loss of this segment increased to approximately HK$464.5 million during the Year (2017: approximately HK$57.8 million), mainly due to the impairment of intangible assets during the Year.

Business Outlook

Due to the impact of various unfavorable factors such as the vigorous development of electric vehicles in China, the gas business will be confronted with mounting pressure from competition. The Group continuously recorded revenue decrease and loss in the recent years. In a bid to optimise capital allocation and reduce loss from investment, the Group has disposed of the gas business of three segments in 2018. Looking forward, the Group will continue to optimise and restructure the remaining gas business as well as seek suitable opportunities to realize its value.

With the steady promotion of such national policies as supply-side reform, "Belt and Road Initiative" and "Made in China 2025", the financing rental industry will embrace huge development potential in the future. Benefiting from favorable conditions brought by economic structure transformation, consumption upgrading and the development of the free trade zone, business such as rental of automobile, airplane and medical is expected to enjoy rapid growth. In view of such good business prospect, the Group will be dedicated to other business segments and value-added customers in a bid to expand the market of financing rental market and focus on the promotion of the development of the business of medical device financing and rental.

The development focus of Grade-A office markets is shifting from the core business districts to non-core business districts and the Group has real estate located the North Bund (Waitan), Hongkou District, Shanghai, which is planned as the central business district and cluster area of international shipping and therefore enjoys great development potentials. However, restricted by the on-going development of surroundings of the project and influx of new buildings in the future, property appreciation and rental returns will face certain pressure. In the future, the Group will maximise the manifestation of capital value by optimising capital allocation in accordance with the market changes and business development needs.

In October 2017, Fujian Provincial Government issued the "Notice of Eight Measures for Further Strengthening the Regulation of Real Estate Market*" (關於進一步加強房地產市場調控八條措施的通知) to further regulate and control the land transfer procedures against excessive growth in land prices. In view of such policies and delayed schedule in land auction in relation to the Project Land, the Group will make efforts to speed up the land development and land auction progress.

Financial Resources

As at 31 December 2018, the Group's total debts (including trade payables, other payables and accruals, loans from joint ventures, finance lease payable, interest-bearing bank and other borrowings, loans from related companies, loans from non-controlling shareholders and convertible bonds) amounted to approximately HK$2,674.2 million (2017: approximately HK$2,748.9 million), of which approximately HK$1,684.2 million (2017: approximately HK$1,793.8 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 approximately HK$40.5 million (2017: approximately HK$34.9 million). Net debt amounted to approximately HK$2,633.7 million (2017: approximately HK$2,714.0 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK$2,716.4 million (2017: approximately HK$3,398.9 million), was 97% (2017: 80%).

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 (2017: Nil).

Material Acquisition and Disposal

(1) Disposal of Shandong Gas Business

On 11 April 2018, the Company, Jetco Innovations Limited ("**Jetco Innovations**"), Shenzhen Sinogas Environmental Protection Technology Limited* (深圳中油潔能環保科技有限公司) ("**Shenzhen Sinogas**") and Shandong Rui Bang Technology Engineering Co., Ltd* (山東瑞邦工程技術有限公司) ("**Shandong Rui Bang**") entered into an equity transfer agreement (the "**April 2018 Equity Transfer Agreement**"), pursuant to which, the Company has conditionally agreed to sell or procure its subsidiaries to sell and Shandong Rui Bang has conditionally agreed to purchase (i) 100% of the issued share capital in Jetco Innovations, which holds 50% of the equity interest in Shandong Sinogas Company Limited* (山東中油潔能天然氣有限公司) ("**Shandong Sinogas**"); (ii) 50% of the equity interest in Shandong Sinogas held by Shenzhen Sinogas; and (iii) the debt owed by Shandong Sinogas and its subsidiaries to the Group for the consideration of RMB25,500,000 (equivalent to approximately HK$31.9 million). Details of the April 2018 Equity Transfer Agreement were disclosed in the Company's announcement dated 11 April 2018.

* *For identification purpose only*

(2) The Second Deed of Replacement

On 12 October 2018, Ontex Enterprises Limited ("**Ontex**"), an indirect non-wholly owned subsidiary of the Company, entered into the second deed of replacement (the "**Second Deed of Replacement**") with Kingfun Investment Limited ("**Kingfun**"), pursuant to which Kingfun issued the 2.15% promissory note in the principal amount of HK$89,000,000 due on 15 June 2019 (the "**2018 Promissory Note**") to Ontex in replacement of the 2.15% promissory note in the principal amount of HK$89,000,000 due on 15 June 2018 (the "**2017 Promissory Note**").

As at 12 October 2018, an aggregate principal amount of HK$89,000,000 under the 2017 Promissory Note and accrued interest of HK$1,913,500 remain outstanding. Save for the maturity date being extended from 15 June 2018 to 15 June 2019, the principal terms of the 2018 Promissory Note are identical to those of the 2017 Promissory Note. In addition, the parties agreed that the accrued interest under the 2017 Promissory Note of HK$1,913,500 shall be paid in full by Kingfun to Ontex on or before the maturity date of the 2018 Promissory Note. Details of the Second Deed of Replacement were disclosed in the Company's announcement dated 12 October 2018.

(3) Disposal of Chengdu Gas Business

On 25 October 2018, the Company, Winfield Innovations Limited ("**Winfield Innovations**"), Chengdu Tongneng Compressed Natural Gas Company Limited* (成都通能壓縮天然氣有限公司) ("**Chengdu Tongneng**") and Sinogas Chengdu Company Limited* (中油潔能(成都)環保科技有限公司) ("**Sinogas Chengdu**") entered into an equity transfer agreement (the "**October 2018 Equity Transfer Agreement**"), pursuant to which, Winfield Innovations has conditionally agreed to sell and Chengdu Tongneng has conditionally agreed to purchase 52.51% of equity interest in Sinogas Chengdu and the debt owed by Sinogas Chengdu to Shenzhen Sinogas for the consideration of RMB34,000,000 (equivalent to approximately HK$38.4 million). Details of the October 2018 Equity Transfer Agreement were disclosed in the Company's announcement dated 25 October 2018.

(4) Disposal of Xuzhou Gas Business

On 15 November 2018, the Company, Dynamic Spring Limited ("**Dynamic Spring**"), Sino Gas Group Hong Kong Limited ("**Sinogas Hong Kong**") and Lucky Success Group Limited ("**Lucky Success**") entered into a share transfer agreement (the "**Share Transfer Agreement**"), pursuant to which, (i) the Company has conditionally agreed to sell and Dynamic Spring has conditionally agreed to purchase the one issued ordinary share of Sinogas Hong Kong and 100 issued ordinary shares of Lucky Success, representing the entire issued share capital of each of Sinogas Hong Kong and Lucky Success, at the consideration of RMB14,000,000 (equivalent to HK$15,820,000); and (ii) the debts owed by the Group (excluding Sinogas Hong Kong, Lucky Success and each of their subsidiaries (the "**Target Group**")) to the Target Group in the aggregate amount of RMB1,340,987.49 (equivalent to approximately HK$1,515,315.86) shall be waived. Details of the Share Transfer Agreement were disclosed in the Company's announcement dated 15 November 2018.

* *For identification purpose only*

Staff Benefits

As at 31 December 2018, the Group had a total of 131 employees (2017: 343). The staff costs for the Year amounted to approximately HK$28 million (2017: approximately HK$47 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 subsidised 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 2018, the Group had pledged certain land use rights, trade receivables, properties and finance lease receivables for bank borrowings granted.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no material events affecting the Group after the end of the reporting period.

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 save as disclosed as follows.

References are made to the announcements of the Company dated 3 November 2016 and 17 November 2016 in relation to the placing of the Convertible Notes in the aggregate principal amount of HK$140,000,000. Capitalised terms used herein shall have the same meanings as those defined in the said announcements. The Convertible Notes in the principal amount of HK$140,000,000 were issued to six individual Noteholders on 17 November 2016.

On 31 December 2018, the Board announced that on or prior to 31 December 2018, the Company agreed with two out of the six Noteholders holding the Convertible Notes in the aggregate principal amount of HK$56,000,000 that the Company shall redeem their Convertible Notes in full by way of loan. The Convertible Notes in the aggregate principal amount of HK$84,000,000 remain outstanding. The Company is still in the process of negotiations with the remaining four Noteholders holding the Convertible Notes in the aggregate principal amount of HK$84,000,000 on the terms of redemption of their Convertible Notes by way of loan. Details of the partial redemption of the Convertible Notes were disclosed in the Company's announcement dated 31 December 2018.

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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Year, save and except as disclosed hereunder:

(i) code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Mr. Guan Liqun (appointed as an executive Director and be the chairman of the Board with effect from 28 March 2018) was the chairmen of the Board during the Year. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. Mr. Guan Liqun (appointed as the chief executive officer of the Company with effect from 7 December 2017) was the chief executive officers of the Company during the Year. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

    The Board considers that the deviation from code provision A.2.1 of the CG Code of the Company will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to separate the role of chief executive officers and chairman of the board. Appointment will be made to comply with code provision A.2.1 of the Code if necessary;

(ii) 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 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 of Association**"); and

(iii) code provision D.1.4 stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, 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 MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The final results of the Group for the Year 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 Stock Exchange (www.hkexnews.hk) and the Company (www.avicjoyhk.com). The annual report of the Company for the Year 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
GUAN Liqun
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises Mr. GUAN Liqun (Chairman and Chief Executive Officer), Mr. ZHANG Zhibiao, Ms. WANG Ying, Ms. MU Yan and Ms. FU Xiao as executive Directors; and Mr. JIANG Ping, Ms. WU Rui and Mr. GUO Wei as independent non-executive Directors.