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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 2015

The board of directors (the “Board”) of AVIC Joy Holdings (HK) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	<i>Notes</i>	2015 HK\$’000	2014 HK\$’000 (Restated)
REVENUE	4	1,236,123	1,619,742
Cost of sales		(1,034,050)	(1,392,976)
Gross profit		202,073	226,766
Other income and gain	4	82,547	38,073
Selling and distribution expenses		(85,612)	(104,892)
Administrative expenses		(199,285)	(165,643)
Other operating expenses, net		(45,136)	(21,232)
Fair value losses on investment properties		(32,675)	(4,684)
Finance costs	6	(115,986)	(47,945)
Impairment of goodwill		(83,241)	–
Gains on disposals of subsidiaries		32,271	9,934
Loss on deregistration of joint ventures		–	(2,893)
Share of profits and losses of joint ventures		4,357	17,275
Share of profits and losses of associates		(26,243)	(1,187)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*
Year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
LOSS BEFORE TAX	5	(266,930)	(56,428)
Income tax expense	7	<u>(11,161)</u>	<u>(15,727)</u>
LOSS FOR THE YEAR		<u>(278,091)</u>	<u>(72,155)</u>
Attributable to:			
Owners of the parent		(294,968)	(79,799)
Non-controlling interests		<u>16,877</u>	<u>7,644</u>
		<u>(278,091)</u>	<u>(72,155)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>(HK5.45 cents)</u>	<u>(HK1.82 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000 (Restated)
LOSS FOR THE YEAR	<u>(278,091)</u>	<u>(72,155)</u>
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	22,163	24,934
Exchange differences on translation of foreign operations	(84,506)	(23,054)
Realisation of exchange fluctuation reserve upon disposal/deregistration of subsidiaries	<u>(4,954)</u>	<u>8,103</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(67,297)</u>	<u>9,983</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(345,388)</u>	<u>(62,172)</u>
Attributable to:		
Owners of the parent	(357,754)	(70,464)
Non-controlling interests	<u>12,366</u>	<u>8,292</u>
	<u>(345,388)</u>	<u>(62,172)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

		31 December 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i> (Restated)	1 January 2014 <i>HK\$'000</i> (Restated)
	<i>Notes</i>			
NON-CURRENT ASSETS				
Property, plant and equipment		128,653	342,259	446,460
Investment properties		2,010,548	114,641	49,606
Prepaid land lease payments		9,670	24,739	52,184
Goodwill		87,242	188,869	150,518
Intangible assets		964,764	977,949	15,000
Investments in joint ventures		53,658	133,417	65,869
Investments in associates		53,653	9,485	–
Available-for-sale investment		207,780	185,617	160,683
Other asset		2,680	–	–
Concession finance receivables	10	–	137,441	43,199
Trade and bills receivables	11	–	232,270	22,613
Prepayments and deposits		19,576	134,737	165,992
Finance lease receivables	12	–	13,971	12,478
Promissory notes receivable		256,514	–	–
Loans receivable from related companies		–	33,339	–
		<hr/>	<hr/>	<hr/>
Total non-current assets		3,794,738	2,528,734	1,184,602
CURRENT ASSETS				
Inventories		2,871	1,634	3,030
Contract for services	13	96,429	36,560	–
Other asset		–	–	23,600
Trade and bills receivables	11	60,846	227,042	129,440
Prepayments, deposits and other receivables		215,846	191,221	41,422
Concession finance receivables	10	–	84,783	2,015
Finance lease receivables	12	1,208	6,549	14,335
Promissory notes receivable		85,314	–	–
Held-to-maturity debt securities		–	4,410	–
Due from joint ventures		240,234	97,138	37,042
Due from an associate		16,546	899	–
Due from non-controlling shareholders		14,972	35,121	29,357
Loan receivable from a related company		3,581	–	6,350
Pledged deposits		–	1,904	985,470
Cash and bank balances		446,546	648,557	382,273
		<hr/>	<hr/>	<hr/>
Total current assets		1,184,393	1,335,818	1,654,334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2015

		31 December 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i> (Restated)	1 January 2014 <i>HK\$'000</i> (Restated)
	<i>Notes</i>			
CURRENT LIABILITIES				
Trade and bills payables	14	18,057	103,243	191,496
Deferred income, other payables and accruals		163,340	198,799	79,892
Finance lease payable		763	725	–
Promissory notes payable		–	100,000	–
Convertible bonds		321,445	51,407	–
Interest-bearing bank and other borrowings		245,149	179,747	1,078,126
Loans from related companies		251,620	38,798	–
Due to non-controlling shareholders		–	3,087	15,399
Due to a joint venture		11,072	5,040	449
Due to associates		2,720	161	–
Tax payable		1,804	15,487	16,243
Total current liabilities		<u>1,015,970</u>	<u>696,494</u>	<u>1,381,605</u>
NET CURRENT ASSETS		<u>168,423</u>	<u>639,324</u>	<u>272,729</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,963,161</u>	<u>3,168,058</u>	<u>1,457,331</u>
NON-CURRENT LIABILITIES				
Convertible bonds		42,218	375,072	47,618
Finance lease payable		1,929	2,693	–
Interest-bearing bank and other borrowings		1,736,491	545,500	51,096
Loans from related companies		223,820	108,374	147,179
Loans from non-controlling shareholders		38,640	38,640	–
Deferred tax liabilities		245,054	248,351	5,163
Deferred income and other payables		–	382,424	10,938
Total non-current liabilities		<u>2,288,152</u>	<u>1,701,054</u>	<u>261,994</u>
Net assets		<u>1,675,009</u>	<u>1,467,004</u>	<u>1,195,337</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	15	2,232,696	1,729,752	876,757
Equity component of convertible bonds		90,139	83,312	21,686
Other reserves		(1,035,269)	(706,180)	197,027
		1,287,566	1,106,884	1,095,470
Non-controlling interests		387,443	360,120	99,867
Total equity		<u>1,675,009</u>	<u>1,467,004</u>	<u>1,195,337</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”), liquefied petroleum gas (“LPG”) and liquefied natural gas (“LNG”) refueling stations, management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”) and trading of LED products, provision of finance lease and loan services and properties investment, provision of land development services and sales of construction materials in the People’s Republic of China (the “PRC”). On 14 December 2015, as a result of a restructuring, the subsidiary operating the LED EMC and trading of LED products business and has become a joint venture of the Group. 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 2015 and 31 December 2014 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course. The Company’s auditor has reported on those financial statements 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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32)).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements

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

The adoption of the revised standards has had no significant financial effect on the financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

During the year, the Group changed voluntarily its accounting policy regarding the measurements of investment properties. In prior years, the Group adopted the cost model for the measurements of the investment properties, which were stated at cost less accumulated depreciation and any impairment losses. Under the revised accounting policy, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

In the opinion of the directors, the financial statements prepared under the revised policy could provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the industry. This change in policy has been applied retrospectively by restating the opening balances at 1 January 2014, with consequential adjustments to comparatives for the year ended 31 December 2014.

The effect on the consolidated statement of profit or loss and other comprehensive income is summarised as follows:

	2015 HK\$'000	2014 HK\$'000
Increase in net loss from a fair value adjustment	32,675	4,684
Decrease in depreciation	(3,443)	(1,411)
Decrease in impairment loss	–	(5,649)
Increase in profit attributable to non-controlling interests	106	39
Increase in exchange differences on translation of foreign operations	(321)	105
Increase in other comprehensive loss attributable to non-controlling interests	(225)	(32)
	=====	=====

The effect on the consolidated statement of financial position is summarised as follows:

	31 December 2015 HK\$'000	31 December 2014 HK\$'000	1 January 2014 HK\$'000
Increase/(decrease) in investment properties	(13,093)	15,818	13,547
Increase/(decrease) in accumulated losses	17,878	(11,460)	(9,123)
Increase in non-controlling interests	(3,927)	(4,046)	(4,039)
Increase in exchange fluctuation reserve	(858)	(312)	(385)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

3. SEGMENT INFORMATION

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

- (a) Sales of CNG, LPG, LNG and petroleum products for the Group's gas station operation;
- (b) Management and operation of LED EMC and trading of LED products;
- (c) Provision of finance lease and loan services and property investment; and
- (d) Provision of land development services and sales of construction materials.

Management monitors the results of the Group's reportable segments separately for the purpose of making decisions about resources 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, finance costs, impairment of goodwill, gains on disposals of subsidiaries, loss on deregistration of joint ventures, share of profits and losses of joint ventures and associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and bank balances, other asset, promissory notes receivable, an available-for-sale investment held-to-maturity debt securities 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 result 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.

On 14 December 2015, as a result of a restructuring, the subsidiary operating the LED EMC and trading of LED products business and has become a joint venture of the Group.

Year ended 31 December 2015

	Sales 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 property investment <i>HK\$'000</i>	Provision of land development services and sales 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
Finance income of concession finance and trade receivables	-	37,233	-	-	37,233
Interest revenue	-	-	1,659	-	1,659
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					(37,233)
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
Gains on disposals 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					(115,986)
Fair value losses on investment properties	(4,629)	-	(28,046)	-	(32,675)
Corporate and other unallocated expenses					(54,543)
Loss before tax					(266,930)
Income tax expense					(11,161)
Loss for the year					<u>(278,091)</u>

Year ended 31 December 2015

	Sales 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 property investment <i>HK\$'000</i>	Provision of land development services and sales 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><u>4,979,131</u></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><u>3,304,122</u></u>
Other segment information:					
Share of profits and losses of:					
Joint ventures	4,031	326	-	-	4,357
Associates	(26,243)	-	-	-	(26,243)
Gains on disposals 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 or loss	6,230	-	-	-	6,230
Fair value losses on investment properties	4,629	-	28,046	-	32,675
Depreciation and amortisation	33,448	2,416	8,284	-	44,148
Investments in joint ventures	32,175	21,483	-	-	53,658
Investments in associates	53,653	-	-	-	53,653
Capital expenditure*	<u><u>18,418</u></u>	<u><u>27</u></u>	<u><u>1,945,866</u></u>	<u><u>2,672</u></u>	<u><u>1,966,983</u></u>

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

Year ended 31 December 2014

	Sales 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 property investment <i>HK\$'000</i>	Provision of land development services and sales of construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Segment revenue:					
Revenue from external customers	1,440,010	177,222	–	–	1,617,232
Finance income on concession finance and trade receivables	–	20,317	–	–	20,317
Interest revenue	–	–	2,510	–	2,510
Intersegment revenue	–	–	10,079	–	10,079
	<u>1,440,010</u>	<u>197,539</u>	<u>12,589</u>	<u>–</u>	<u>1,650,138</u>
<i>Reconciliation:</i>					
Elimination of intersegment revenue					(10,079)
Reclassification of finance income to other income					<u>(20,317)</u>
Revenue					<u><u>1,619,742</u></u>
Segment results	9,090	(14,214)	(1,401)	(2,517)	(9,042)
<i>Reconciliation:</i>					
Interest income					2,970
Gains on disposals of subsidiaries	9,934	–	–	–	9,934
Loss on deregistration of joint ventures	(2,893)	–	–	–	(2,893)
Share of profits and losses of joint ventures	17,275	–	–	–	17,275
Share of profits and losses of associates	(1,187)	–	–	–	(1,187)
Impairment of items of property, plant and equipment	(7,259)	–	–	–	(7,259)
Fair value gain/(losses) on investment properties	(6,120)	–	1,436	–	(4,684)
Finance costs					(47,945)
Corporate and other unallocated expenses					<u>(13,597)</u>
Loss before tax					(56,428)
Income tax expense					<u>(15,727)</u>
Loss for the year					<u><u>(72,155)</u></u>

Year ended 31 December 2014

	Sales 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 property investment <i>HK\$'000</i>	Provision of land development services and sales or construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Segment assets	970,865	833,738	415,400	1,188,207	3,408,210
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(428,973)
Held-to-maturity debt securities					4,410
Corporate and other unallocated assets					880,905
Total assets					<u><u>3,864,552</u></u>
Segment liabilities	189,387	774,838	74,053	320,918	1,359,196
<i>Reconciliation:</i>					
Elimination of intersegment payables					(428,973)
Corporate and other unallocated liabilities					1,467,325
Total liabilities					<u><u>2,397,548</u></u>
Other segment information:					
Share of profits and losses of:					
Joint ventures	17,275	-	-	-	17,275
Associates	(1,187)	-	-	-	(1,187)
Gains on disposal of subsidiaries	(9,934)	-	-	-	(9,934)
Loss on disposal of joint ventures	2,893	-	-	-	2,893
Impairment losses/provision recognised in the statement of profit or loss (restated)	18,515	-	-	-	18,515
Impairment loss reversed in the statement of profit or loss	(1,829)	-	-	-	(1,829)
Fair value losses/(gains) on investment properties	6,120	-	(1,436)	-	4,684
Depreciation and amortisation (restated)	50,453	4,385	139	-	54,977
Investments in joint ventures	133,417	-	-	-	133,417
Investments in associates	9,485	-	-	-	9,485
Capital expenditure*	<u><u>51,335</u></u>	<u><u>2,130</u></u>	<u><u>3,082</u></u>	<u><u>1,010,696</u></u>	<u><u>1,067,243</u></u>

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

4. REVENUE, OTHER INCOME AND GAIN

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<u>Revenue</u>		
Sales of CNG, LPG, LNG and petroleum products	1,041,587	1,440,010
Operation revenue of LED EMC and trading of LED products	95,337	177,222
Sales of construction materials	97,540	–
Interest income on finance leases and loans	1,659	2,510
	<u>1,236,123</u>	<u>1,619,742</u>
<u>Other income and gain</u>		
Interest income	8,905	2,970
Loan interest income	460	–
Promissory notes interest income	726	–
Trading of petroleum and gas-related products	–	384
Finance income on concession finance and trade receivables	37,233	20,317
Government grants received*	7,086	4,707
Gross rental income	2,802	2,873
Forfeited deposit	–	1,260
Exchange gain, net	16,272	–
Others	9,063	5,562
	<u>82,547</u>	<u>38,073</u>

* 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.

5. LOSS BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Cost of inventories sold and operation costs of gas stations	868,338	1,210,871
Construction and operation costs of LED EMC	70,338	182,033
Cost of finance lease and loan services provided	–	72
Cost of construction materials sold	95,374	–
Auditors' remuneration	3,450	2,760
Depreciation of property, plant and equipment	39,699	51,650
Amortisation of prepaid land lease payments	4,563	2,768
Amortisation of intangible assets	1,044	1,045
Gain on deemed disposal of subsidiaries	(2,848)	–
Gains on disposals of subsidiaries	(29,423)	(9,934)
Loss on deregistration of joint ventures	–	2,893
Loss on disposals of items of property, plant and equipment	2,936	4,546
Impairment of goodwill	83,241	–
Impairment of items of property, plant and equipment	22,445	7,259
Impairment/(reversal of impairment) of trade receivables	917	(1,829)
Impairment of deposits and other receivables	5,313	11,256
Impairment of an investment in an associate	8,525	–
Impairment of available-for-sale investments	5,000	–
Fair value losses on investment properties	32,675	4,684
Minimum lease payments under operating leases in respect of land and buildings	14,519	26,802
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	96,621	114,346
Equity-settled share option expense	–	503
Pension scheme contributions	326	148
	<u>96,947</u>	<u>114,997</u>
Foreign exchange differences, net	<u>(16,272)</u>	<u>608</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans and other loans (including convertible bond)		
Bank loans	57,829	24,312
Other loans	18,842	8,864
Convertible bonds	37,315	14,769
Promissory notes payable	2,000	–
	<u>115,986</u>	<u>47,945</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Group:		
Current – Mainland China		
Charge for the year	14,458	13,539
Deferred	(3,297)	2,188
	<u>11,161</u>	<u>15,727</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\$294,968,000 (2014 (Restated): HK\$79,799,000), and the weighted average number of ordinary shares of 5,410,328,440 (2014: 4,386,248,292) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 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 2015 (2014: Nil).

10. CONCESSION FINANCE RECEIVABLES

The Group had entered into a number of service concession arrangements with government authorities from different districts in the PRC in respect of its LED light services and constructing and operation and maintaining public streetlights, which generally involved the Group as an operator (i) to construct streetlights for those arrangements on a Build-Operate-Transfer (“BOT”) basis and (ii) to operate and maintain the streetlights on behalf of the relevant government authorities for periods ranging from 4 to 16 years.

On 14 December 2015, as a result of a restructuring, a deemed disposal by the Group of its LED business was resulted such that the subsidiary group which operated the above business had become a joint venture.

The following is the summarised information of the financial asset components (receivables under service concession arrangements) with respect to the Group’s service concession arrangements.

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Receivables under service concession arrangements	–	222,224
Current portion	–	(84,783)
	<hr/>	<hr/>
Non-current portion	–	137,441
	<hr/> <hr/>	<hr/> <hr/>

Concession finance receivables comprise amounts receivable with respect to concession agreements in the PRC. The Group’s concession finance receivables were unbilled as at the end of the reporting period.

11. TRADE AND BILLS RECEIVABLES

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Trade and bills receivables	61,776	459,325
Impairment	(930)	(13)
	<hr/>	<hr/>
	60,846	459,312
Less: Non-current portion of trade receivables	–	(232,270)
	<hr/>	<hr/>
Current portion of trade and bills receivables	60,846	227,042
	<hr/> <hr/>	<hr/> <hr/>

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.

In the prior year, the Group's trade receivables from LED EMC were billed and settled by equal monthly, bimonthly and quarterly instalments over a period of five to ten years pursuant to the contract terms. The fair value of the consideration recognised was determined using an imputed rate of interest ranging from approximately 6.55% to 15%.

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:

	2015	2014
	HK\$'000	HK\$'000
Billed:		
0 to 90 days	58,788	108,396
91 to 120 days	388	1
121 days to 1 year	1,670	5
Over 1 year	930	13
	<hr/>	<hr/>
	61,776	108,415
Unbilled	–	350,910
	<hr/>	<hr/>
	61,776	459,325
	<hr/> <hr/>	<hr/> <hr/>

12. 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		Present value of	
	payments		minimum lease	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprise:				
Within one year	1,496	8,135	1,208	6,549
In the second to fifth years, inclusive	–	15,855	–	13,971
	<hr/>	<hr/>	<hr/>	<hr/>
	1,496	23,990	1,208	20,520
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Less: unearned finance income	(288)	(3,470)		
	<hr/>	<hr/>		
Present value of minimum lease payments	1,208	20,520		
	<hr/> <hr/>	<hr/> <hr/>		
Analysed for reporting purposes as:				
Current assets	1,208	6,549		
Non-current assets	–	13,971		
	<hr/>	<hr/>		
	1,208	20,520		
	<hr/> <hr/>	<hr/> <hr/>		

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

At 31 December 2015, the Group's finance lease receivables with carrying amount of HK\$252,000 (2014: HK\$18,883,000) were pledged as security for the Group's certain bank loans.

13. CONTRACT FOR SERVICES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contract costs incurred to date and gross amount due from contract customers	96,429	36,560

14. TRADE AND BILLS PAYABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 90 days	16,825	48,318
91 to 120 days	–	52,920
Over 120 days	1,232	2,005
	18,057	103,243

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

The Group's bills payable amounted to HK\$7,162,000 (2014: HK\$11,340,000) as at the end of the reporting period and has an average maturity period of 90 days. In the prior year, bills payable were secured by pledged time deposits of HK\$1,904,000 in 2014. Bills payable were denominated in RMB.

15. SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Issued and fully paid:		
5,943,745,741 ordinary shares (2014: 4,483,782,539 ordinary shares)	<u>2,232,696</u>	<u>1,729,752</u>

All the shares issued during the year rank par 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 HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
At 1 January 2014	4,383,782,539	876,757	825,596	3,865	1,706,218
Transition to no-par value regime on 3 March 2014 (<i>Note (a)</i>)	–	829,461	(825,596)	(3,865)	–
Convertible bonds exercised (<i>Note (b)</i>)	100,000,000	20,247	–	–	20,247
Transfer of reserve upon forfeiture of options	–	3,287	–	–	3,287
At 31 December 2014 and 1 January 2015	4,483,782,539	1,729,752	–	–	1,729,752
Convertible bonds exercised (<i>Note (c)</i>)	446,783,202	94,011	–	–	94,011
Share options exercised (<i>Note (d)</i>)	137,180,000	43,268	–	–	43,268
Transfer of share option reserve upon forfeiture of share options	–	12,280	–	–	12,280
Share placement and top-up subscription (<i>Note (e)</i>)	876,000,000	353,385	–	–	353,385
At 31 December 2015	<u>5,943,745,741</u>	<u>2,232,696</u>	<u>–</u>	<u>–</u>	<u>2,232,696</u>

Notes:

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium amount and capital redemption reserve has become part of the Company's share capital.
- (b) The subscription rights attaching to convertible bonds in a principal amount of HK\$20,000,000 were exercised at the subscription price of HK\$0.2 per share, resulting in the issue of 100,000,000 shares as a total consideration, before expenses of HK\$20,000,000. An amount of HK\$247,000 was transferred from the equity component of convertible bonds to share capital in respect of the exercise of convertible bonds.

- (c) The subscription rights attaching to convertible bonds in a principal amount of approximately 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 of the Company on 15 May 2015 in accordance with the terms of the convertible bond.
- (d) 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.
- (e) On 7 May 2015, the Company entered into a placing and top-up 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 of 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 is about HK\$0.403. The closing price of the Company’s share as quoted on the Stock Exchange on 6 May 2015, being the date immediate preceding the date on which the Company agreed on the terms of the agreement including the issue price of the Placing Share, was HK\$0.51 per share.

CHAIRMAN'S STATEMENT

China's economy continues to slow down in 2015 against a backdrop of weakness in the global economy. The Group's consolidated revenue for the year ended 31 December 2015 reduced by 23.7%, from HK\$1,619.7 million to HK\$1,236.1 million due to decrease in revenue generated from gas and LED businesses. Together with the increase in finance cost and the substantial impairment losses recognized in gas business during the year, the Group made a loss attributable to the owners of the parent of HK\$295 million (2014: HK\$79.8 million) for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group recorded total revenue of HK\$1,041.6 million (2014: HK\$1,440 million) in the gas business segment, reduced by 27.7% compared to last year due to the disposal of certain gas subsidiaries and the downward adjustment on gas price. In the face of the tough market environment, the Group will continue to streamline its operation and enhance efficiency in gas business.

Due to intense price competition and oversupply situation in the LED lighting industry, the LED business experienced difficulties in acquiring new contracts during the year. The segmental revenue for the year ended 31 December 2015 declined by 32.9% to HK\$132.6 million (2014: HK\$197.5 million). In late December 2015, the Group introduced two investors through a share subscription arrangement in order to enlarge capital base for the LED business. Upon completion of the share subscription arrangement, the LED project companies ceased to be subsidiaries of the Group and became joint ventures.

The Group's finance leasing company has maintained a growth momentum in 2015, and achieved a turnover of HK\$18.2 million (2014: HK\$12.6 million), representing a growth of 44.4% from last year.

During the year, the Group's land development business in Fuqing City, Fujian Province recorded sales revenue of HK\$97.5 million, which was principally generated from sales of construction materials. As the Central Bank of China is maintaining an accommodating monetary policy to increase money and credit supply to support economic recovery and stabilization in the second half of 2015, it is expected that the Group will benefit from growing land demand in second-tier and third-tier cities in the PRC. Considering the future prospects of 中部濱海新城 (New Central Coastal City**) and 融港大道 (Ronggang Boulevard**) (collectively, the "Project"), the Group will strive to speed up the progress for Project construction and land sales.

In August 2015, the Group enhanced its business presence in Shanghai through the acquisition of a commercial building with an aggregate gross floor area of 16,352.29 square meters, which comprises a building with office units, retail units and parking spaces.

With the rapid development in the aviation industry (including operations and investment in general aviation and aviation industrial park) in the PRC and related overseas expansion, the Group will continue to look for ways to capture growth opportunities in this sector.

In 2016, the Group will continue to work on improving the efficiency of resources allocation, as well as seeking potential acquisition and business opportunities to enhance the value of the shareholders of the Company (the “Shareholders”).

On behalf of the Board, I would like to thank Mr. Ji Guirong (the former chairman of the Board), Mr. Ji Hui (the former chief executive officer), Mr. Zhang Chuanjun (a former executive director) for their invaluable contributions during their term of services with the Group.

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

Zhu Dong
Chairman

Hong Kong, 24 March 2016

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2015, the principal business activities of the Group comprises operation of compressed natural gas (“CNG”) and liquefied petroleum gas (“LPG”) and liquefied natural gas (“LNG”) refueling stations, management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”), provision of finance lease and loan 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\$1,236.1 million (2014: HK\$1,619.7 million), representing 23.7% decrease from last year, which was mainly caused by decrease in revenue of the gas and LED segments, although the performance for finance leasing business slightly improved.

The Group’s gross profit for the year ended 31 December 2015 was HK\$202.1 million (2014: HK\$226.8 million), representing a decrease of 10.9% compared to 2014. The Group made a loss attributable to the owners of the parent for the year amounted to HK\$295 million, being an increase of HK\$215.2 million from HK\$79.8 million in 2014. The substantial increase in loss attributable to the owners of the parent was mainly due to (i) impairment of goodwill, and property, plant and equipment of gas business amounted to HK\$83.2 million and HK\$22.4 million, respectively; (ii) loss arising from the fair value changes of investment properties amounted to HK\$32.7 million; (iii) the increase in share of losses of associates; and (iv) increase in finance cost.

Operational Review

(1) Gas Business

Due to intensified competition of the natural gas sector and reduced number of CNG and LPG gas refueling stations, the total sales volume of CNG dropped to 132,161,000 m³ (2014: 188,873,000 m³), whereas the sales volume of LPG and LNG business climbed to 72,217 tons and 2,390 tons in 2015, increased by 14,246 tons and 2,214 tons, respectively, from last year. Together with the impact of the deconsolidation of the disposed gas subsidiaries since October 2015, the total revenue of the Group’s gas business segment decreased by 27.7% to HK\$1,041.6 million (2014: HK\$1,440 million). In 2015, the gas segment recorded a segment profit of HK\$10.8 million (2014: HK\$9.1 million).

On 26 February 2015, the National Development and Reform Commission of the PRC promulgated a notice 《國家發展改革委關於理順非居民用天然氣價格的通知》 to regulate and reduce natural gas price. In view of the price reduction mentioned above, together with the increasingly difficult operating and regulatory environment as well as the deteriorating financial performance during the year, the Group had performed an assessment of gas businesses accordingly to determine any potential permanent impairment for goodwill. Considering all the factors as a whole, the Group had recognized impairment of goodwill and impairment of items of property, plant and equipment amounted to HK\$83.2 million and HK\$22.4 million, respectively. Such impairments have no impact on the operations and cash flows of the Group.

(2) *LED Business*

During the year, the Group's project companies had secured certain new projects in Guizhou, Heilongjiang, Jiangsu, Fujian and Zhejiang Provinces in the PRC. Although the sales revenue of the Group's LED business dropped to HK\$132.6 million (2014: HK\$197.5 million) as the number of completed installation during the year was less than that in 2014, the segment result recorded a profit of HK\$32.1 million (2014: loss HK\$14.2 million) due to substantial amount of initial setup and up-front cost had been recognised in previous years. In late December 2015, the LED project companies ceased to be subsidiaries of the Group and became joint ventures subsequent to the completion of a deemed disposal through a share subscription arrangement.

(3) *Finance Leasing Business and Properties Investment*

The Group's finance leasing and properties investment segment recorded a total revenue of HK\$18.2 million (2014: HK\$12.6 million) for the year, representing an increase of 44.4% as compared to last year. During the year, the Group's finance leasing subsidiary Guangdong Zi Yu Tai Financing Leasing Company Limited** (廣東資雨泰融資租賃有限公司) continued to enter into new finance leasing contracts primarily for the provision of finance assistance to the LED projects. The segment loss increased to HK\$10.9 million (2014: HK\$1.4 million) during the year, mainly due to the increase in administration expenses incurred for properties investment.

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

During the year, the Group's land development business in Fuqing City, Fujian Province recorded a sales revenue of HK\$97.5 million which was mainly attributed to sales of construction materials.

Business Outlook

Looking ahead, China's economy is still under considerable downward pressure amid the complicated domestic and unstable global economic environment. The recent deterioration in economic figures indicates that the economy is unlikely to bounce back in the near term.

Due to overall energy consumption slowdown and falls in alternative fuel cost, it is expected that gas business shall continue to suffer from thin profit margin and keen competition. Following the partial disposal of gas businesses, the Group will continue operating its remaining gas businesses with focus to improve efficiency and maximize business value.

It is expected that the unfavorable market condition with escalating price competition, growing product quality issues and intensified mergers and acquisitions will remain in the LED industry. The Group will strive to take measure to overcome the challenges in its operation.

According to the Guidance on Accelerating the Development of Financial Leasing Industry issued by the State Council in September 2015, financial leasing will be an important tool in equipment investment and technology upgrades by 2020. To support the development of the industry, the government is committed to establishing a fair, disciplined and well-regulated business environment coupled with improving fiscal and taxation policies by way of offering subsidies and risk compensation. Leveraging on those favorable policies, the Group will continue to enhance financing channel and improve risk management capacities to pursue sustainable business expansion.

In 2015, the Central Bank of China adopted a more accommodating monetary policy including cutting benchmark interest rate and reserve-requirement ratio for banks, giving a strong support to the land development market in China. In view of the supportive government policies and advantageous geographical location, the Group is optimistic about the future prospects of PPP class 1 land development project.

Financial Resources

As at 31 December 2015, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies and non-controlling shareholders, promissory notes and convertible bonds) amounted to approximately HK\$2,859.3 million (2014: HK\$1,437.5 million), of which HK\$1,979.5 million (2014: HK\$723.1 million) was related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi. Cash and bank balances and pledged deposits amounted to HK\$446.5 million (2014: HK\$650.5 million). Net borrowing amounted to HK\$2,412.8 million (2014: net borrowing of HK\$787 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net borrowing divided by equity attributable to owners of parent of HK\$1,287.6 million (2014: HK\$1,106.9 million) plus net borrowing, was 65.2% (2014: 41.6%).

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

Dividend

The Board does not recommend the payment of dividend for the year ended 31 December 2015 (2014: Nil).

Material Acquisition and Disposal

On 6 January 2015, the Company entered into a sale and purchase agreement (as amended and supplemented by supplemental agreements dated 10 February 2015, 14 April 2015 and 13 May 2015) to purchase a property in Shanghai, the PRC, at a consideration of RMB1,566,032,890 (the “Property”). The Property comprises a building with office and retail units and parking spaces which together has an aggregate gross floor area of 16,352.29 square metres. The acquisition of the Property has been approved by the Shareholders at the extraordinary general meeting of the Company on 30 March 2015 and the acquisition of the Property was subsequently completed in August 2015. Details of the acquisition were included in the Company’s announcements dated 6 January 2015, 30 January 2015, 10 February 2015, 14 April 2015, 15 April 2015 and 13 May 2015, and the circular of the Company dated 26 February 2015.

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

On 2 December 2015, Tongda Environmental Technology Limited (“Tongda Environmental”), a direct wholly-owned subsidiary of the Company, Jia Lian International Limited (嘉聯國際有限公司) (“Jialian”), an indirect wholly-owned subsidiary of the Company, Merit Progress International Limited (“Merit Progress”) and Premium Talent Enterprises Limited (“Premium Talent”) entered into a share subscription agreement, pursuant to which, each of Merit Progress and Premium Talent had agreed to subscribe for and Jialian had agreed to allot and issue 300 shares and 250 shares at consideration of HK\$14,672,727 and HK\$12,227,273, respectively. Upon the completion of the allotment and subscription in December 2015, Jialian was held as to 45% by Tongda Environmental, 30% by Merit Progress and 25% by Premium Talent, and consequently Jialian together with its subsidiaries ceased to be subsidiaries of the Company and became its joint ventures (the “Disposal”). Details of the Disposal were included in the Company’s announcement dated 2 December 2015.

On 4 December 2015, Ontex Enterprise Limited (“Ontex”), a non-wholly owned subsidiary of the Company, entered into a share transfer agreement in relation to the disposal of 17.5% of the issued share capital of Spotwin Investment Limited (“Spotwin”), a non-wholly owned subsidiary of Ontex, and 17.5% of the shareholders’ loan owed by Spotwin to its shareholders at a total consideration of HK\$170,627,660, of which HK\$12,187,690 was settled by cash, HK\$85,313,830 by a promissory note due on 29 January 2016 and HK\$73,126,140 by a promissory note due on the day falling on

the 18th months of its issuance date on 15 December 2015. Details of such disposal were included in the Company's announcement dated 4 December 2015 and the disposal had been completed in December 2015. Pursuant to the sale and purchase agreement dated 19 June 2014 as supplemented and amended by a supplemental agreement dated 24 June 2014, the profit undertaking of Ontex and its subsidiaries for the two financial years ended 31 December 2014 and 31 December 2015 had been fulfilled. Details of the profit undertaking were disclosed in the Company's announcement dated 24 June 2014 and the Company's circular dated 30 September 2014.

Staff Benefits

As at 31 December 2015, the Group had a total of 590 employees (2014: 1,313). The staff costs for the year ended 31 December 2015 amounted to approximately HK\$98.3 million (2014: HK\$121.1 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme. There was no major change on 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 provides internal and external training for existing staff and makes further study as part of the welfare or incentive system for staff. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan for their career development, which lays a solid foundation for sound and sustainable development of the Group.

Pledge of Assets

As at 31 December 2015, the Group had pledged certain of its finance lease receivables and bank deposits for bills payable and bank borrowings granted.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

NEW SHARES ISSUED AND CONVERTED

As at 31 December 2015, the total number of issued shares of the Company (the "Shares") was 5,943,745,741. As compared with the position of 31 December 2014, a total of 1,459,963,202 new shares were issued during the year.

On 7 May 2015, the Company issued 876,000,000 placing shares to not less than six placees at a price of HK\$0.41 per placing share (the “Placing”) pursuant to a placing and top-up subscription agreement (the “Placing and Top-Up Subscription Agreement”). The Placing and Top-Up Subscription Agreement was completed on 15 May 2015. The gross proceeds from the Placing was approximately HK\$359.2 million and the net proceeds has been being used as general working capital of the Group, details of the Placing and Top-up Subscription Agreement were disclosed in the Company’s announcements dated 7 May 2015 and 15 May 2015.

During the year, 137,180,000 share options had been exercised by the option holders at exercise prices ranging from HK\$0.20 to HK\$0.236 each for the issuance of Shares and the proceeds of HK\$31.4 million had been used as general working capital of the Group. Moreover, convertible bonds in principal amounts of HK\$28,769,507.60 and HK\$60,000,000 had been converted into 146,783,202 and 300,000,000 Shares at conversion prices of HK\$0.196 (adjusted conversion price) and HK\$0.20 per Share by convertible bond holders, respectively.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange during the year ended 31 December 2015, save and except as disclosed hereunder:

- (i) code provision A.4.1 stipulates that all 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 and re-election at least once every three years in accordance with the articles of association (the “Articles”) of the Company;
- (ii) code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other important business engagements at the relevant times, not all independent non-executive Directors and the non-executive Director were able to attend the extraordinary general meetings of the Company held on 3 March 2015, 13 March 2015 and 30 March 2015, and the annual general meeting of the Company held on 25 June 2015 (the “AGM”);
- (iii) code provision D.1.4 stipulates that the company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement and re-election pursuant to the Articles. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Hong Kong Companies Ordinance (Cap. 622), legal and other regulatory requirements, if applicable; and

- (iv) code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. However, due to other important business engagements at the relevant time, Mr. Ji Guirong, the former chairman of the Board, did not attend the AGM. Nevertheless, Mr. Xiao Wei, an executive Director, took the chair of the AGM and Mr. Wu Meng, an independent non-executive Director, being a member of the audit committee, the remuneration committee and the nomination committee of the Company was present thereat and was available to answer questions to ensure effective communication with the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they had complied with the required standards as set out in the Model Code during the year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2015 have been reviewed by the audit committee of the Company.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

The Board proposes to adopt a new articles of association (the “Proposed New Articles”) in order to bring the existing articles of association of the Company in line with the Hong Kong Companies Ordinance (Cap. 622) and the latest version of the Listing Rules.

The proposed adoption of the Proposed New Articles is subject to the approval of the Shareholders by way of considering and passing a special resolution at the forthcoming annual general meeting of the Company. A circular containing, among other things, details relating to the major changes introduced by the Proposed New Articles, will be despatched to the Shareholders together with a notice of the forthcoming annual general meeting of the Company.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.avicjoyhk.com). The annual report of the Company for the year ended 31 December 2015 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 2016

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

*** For identification purpose only*