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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 2017

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 2017 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	3	**252,606**	357,628
Cost of sales		**(190,488)**	(273,330)
Gross profit		**62,118**	84,298
Other income and gain	3	**10,455**	50,723
Selling and distribution expenses		**(41,177)**	(39,979)
Administrative expenses		**(135,427)**	(117,372)
Other operating and non-operating expenses, net		**(49,564)**	(45,946)
Fair value losses on investment properties, net		**(696)**	(234)

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Impairment of goodwill		**(48,206)**	–
Gain/(loss) on disposal of subsidiaries		**27,742**	(5,938)
Gain on disposal of an associate		**–**	25,105
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)		**–**	(81,303)
Finance costs	5	**(148,331)**	(146,132)
Share of profits and losses of joint ventures		**12,900**	4,741
Share of profits and losses of associates		**–**	7,721
LOSS BEFORE TAX	4	**(310,186)**	(264,316)
Income tax expense	6	**(8,249)**	(1,030)
LOSS FOR THE YEAR		**(318,435)**	(265,346)
Attributable to:			
Owners of the parent		**(302,643)**	(259,711)
Non-controlling interests		**(15,792)**	(5,635)
		(318,435)	(265,346)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**(HK5.09 cents)**	(HK4.37cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(318,435)**	(265,346)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	**–**	(144,061)
Reclassification adjustment for impairment loss included in the consolidated statement of profit or loss	**–**	81,303
	–	(62,758)
Exchange differences:		
Exchange differences on translation of foreign operations	**57,066**	(32,593)
Reclassification adjustments for foreign operations disposed of during the year	**(7,525)**	(23,589)
	49,541	(56,182)
NET OTHER COMPREHENSIVE INCOME/ (LOSS) TO BE RECLASSIFED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX	**49,541**	(118,940)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(268,894)**	(384,286)
Attributable to:		
Owners of the parent	**(254,576)**	(380,344)
Non-controlling interests	**(14,318)**	(3,942)
	(268,894)	(384,286)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**39,896**	68,379
Investment properties		**2,047,200**	1,911,392
Prepaid land lease payments		**18,269**	18,222
Goodwill		**32,402**	87,242
Intangible assets		**964,672**	964,672
Investments in joint ventures		**71,299**	58,399
Investments in associates		**–**	–
Available-for-sale investment		**58,733**	63,719
Other asset		**2,680**	2,680
Prepayments and deposits		**7,414**	14,483
Finance lease receivables	10	**26,163**	19,414
Promissory notes receivable		**–**	168,000
Total non-current assets		**3,268,728**	3,376,602
CURRENT ASSETS			
Inventories		**2,634**	3,511
Contract for services		**148,835**	116,602
Trade and bills receivables	9	**82,158**	88,672
Prepayments, deposits and other receivables		**206,107**	217,670
Finance lease receivables	10	**6,943**	4,817
Promissory notes receivable		**89,000**	91,126
Due from joint ventures		**218,515**	235,104
Due from non-controlling shareholders		**311**	4,657
Cash and bank balances		**34,867**	153,990
Total current assets		**789,370**	916,149

	Note	2017 HK$'000	2016 HK$'000
CURRENT LIABILITIES			
Trade payables	11	**20,977**	3,771
Other payables and accruals		**73,064**	145,063
Finance lease payable		**840**	801
Convertible bonds		**182,011**	–
Interest-bearing bank and other borrowings		**415,741**	549,585
Loans from related companies		**–**	146,966
Due to joint ventures		**9,196**	8,596
Tax payable		**2,360**	445
Total current liabilities		**704,189**	855,227
NET CURRENT ASSETS		**85,181**	60,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,353,909**	3,437,524
NON-CURRENT LIABILITIES			
Convertible bonds		**–**	167,000
Finance lease payable		**288**	1,128
Interest-bearing bank and other borrowings		**1,378,030**	1,196,983
Loans from related companies		**372,253**	210,612
Loans from non-controlling shareholders		**296,509**	285,124
Deferred tax liabilities		**241,733**	244,161
Total non-current liabilities		**2,288,813**	2,105,008
Net assets		**1,065,096**	1,332,516

	2017	2016
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**2,234,815**	2,234,815
Equity component of convertible bonds	**61,314**	61,314
Other reserves	**(1,611,292)**	(1,358,190)
	684,837	937,939
Non-controlling interests	**380,259**	394,577
Total equity	**1,065,096**	1,332,516

NOTES:

1.1 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 year ended 31 December 2017 that is included in this announcement of annual results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

Relevant disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 interest income, gain/(loss) on disposal of subsidiaries, share of losses of associates, impairment of an available-for-sale investment, impairment of investment in an associate, finance costs, as well as head office and corporate expenses are excluded from such measurement.

During the year, the Company changed the presentation of operating segment results to include the non-operating expenses and certain other expenses as in the opinion of the directors, such presentation can better reflect the overall operating segment results. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

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.

Revenue of approximately HK$49,405,000 (2016: HK$61,423,000) was derived from sales of construction materials to a single customer.

The following table presents revenue and profit/(loss) for the Group's primary segments for the year ended 31 December 2017 and 2016.

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)**	**22,545**	**(96,272)**	**(57,847)**	**(197,751)**
Reconciliation:					
Interest income					4,469
Gain on disposal of subsidiaries					42
Impairment of an available-for-sale investment					(4,986)
Finance costs					(71,195)
Corporate and other unallocated expenses					(40,765)
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**
Gain on disposal of subsidiaries	**27,700**	**–**	**–**	**–**	**27,700**
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 items of property, plant and equipment	**(7,986)**	**–**	**–**	**–**	**(7,986)**
Impairment 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, deposits and other receivables	**(22,195)**	**–**	**(6,960)**	**–**	**(29,155)**
Finance costs	**(3,549)**	**–**	**(66,337)**	**(7,250)**	**(77,136)**
Fair value losses on investment properties, net	**–**	**–**	**(696)**	**–**	**(696)**

Year ended 31 December 2016

	Sales of CNG and petroleum products	Management and operation of LED EMC	Provision of finance lease and loan services and properties investment	Provision of land development services and sales of construction materials	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Revenue from external customers	214,309	–	–	126,617	340,926
Interest revenue	–	–	16,702	–	16,702
	214,309	–	16,702	126,617	357,628
Segment results	(13,728)	11,224	(74,186)	(12,111)	(88,801)
Reconciliation:					
Interest income					5,435
Loss on disposal of subsidiaries					(5,938)
Share of loss of an associate					(1,366)
Impairment of an investment in an associate					(2,822)
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)					(81,303)
Finance costs					(68,956)
Corporate and other unallocated expenses					(20,565)
Loss before tax					(264,316)
Income tax expense					(1,030)
Loss for the year					(265,346)
Other segment information:					
Gain on disposal of an associate	25,105	–	–	–	25,105
Loss on disposal of an investment property	(2,644)	–	–	–	(2,644)
Share of profits and losses of:					
– Joint ventures	(6,514)	11,255	–	–	4,741
– Associates	9,087	–	–	–	9,087
Impairment of items of property, plant and equipment	(2,801)	–	–	–	(2,801)
Impairment of available-for-sale investments	(5,915)	–	–	–	(5,915)
Finance costs	(2,904)	–	(70,330)	(3,942)	(77,176)
Fair value losses on investment properties, net	–	–	(234)	–	(234)

3. REVENUE, OTHER INCOME AND GAIN

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of CNG and petroleum products	**156,024**	214,309
Sales of construction materials	**79,739**	126,617
Interest income on finance leases and loans	**16,843**	16,702
	252,606	357,628
Other income and gain		
Interest income	**348**	677
Loan interest income	**2,118**	–
Promissory note interest income	**6,382**	4,758
Government grants received*	**107**	–
Gross rental income	**1,424**	1,288
Compensation income	**–**	22,875
Exchange gain, net	**–**	18,116
Others	**76**	3,009
	10,455	50,723

* 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 BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold and operation costs of gas stations*	**112,949**	150,292
Cost of construction materials sold*	**77,539**	123,038
Auditor's remuneration	**2,988**	3,300
Depreciation on property, plant and equipment	**17,362**	19,838
Amortisation of prepaid land lease payments	**2,010**	651
Amortisation of intangible assets	**46**	47
(Gain)/loss on disposal of subsidiaries	**(27,742)**	5,938
Gain on disposal of an associate	**–**	(25,105)
Loss on disposal of items of property, plant and equipment**	**1,753**	7,372
Loss on disposal of an investment property**	**–**	2,644
Impairment of items of property, plant and equipment**	**7,986**	2,801
Impairment of inventories**	**261**	–
Impairment of prepaid land lease payments**	**1,991**	–
Impairment of amount due from a non-controlling shareholder**	**4,264**	–
(Reversal of impairment)/impairment of trade receivables**	**(832)**	2,014
Impairment of prepayments, deposits and other receivables**	**29,155**	17,793
Impairment of goodwill	**48,206**	–
Impairment of an amount due from an associate**	**–**	4,585
Impairment of an investment in an associate**	**–**	2,822
Impairment of available-for-sale investments**	**4,986**	5,915
Fair value losses on investment properties, net	**696**	234
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)	**–**	81,303
Minimum lease payments under operating leases in respect of land and buildings	**10,637**	13,485
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	**46,983**	47,524
Pension scheme contributions	**415**	381
	47,398	47,905
Foreign exchange differences, net	**11,236**	(18,116)

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

** Included in "Other operating and non-operating expenses, net" 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:

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings (including convertible bonds)		
Bank loans	**72,747**	75,712
Other borrowings	**33,906**	38,300
Convertible bonds	**21,646**	30,657
Amortisation of financing arrangement fees	**4,389**	1,463
Finance charge on redemption of promissory notes receivable	**15,643**	–
	148,331	146,132

6. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**3,157**	1,923
Underprovision in prior years	**7,520**	–
Deferred	**(2,428)**	(893)
	8,249	1,030

7. 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$302,643,000 (2016: HK$259,711,000), and the weighted average number of ordinary shares of 5,943,745,741 (2016: 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 2017 and 2016 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

8. DIVIDEND

The directors do not recommend the payment of dividend to shareholders for the year ended 31 December 2017 (2016: Nil).

9. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**84,270**	91,616
Impairment	**(2,112)**	(2,944)
	82,158	88,672

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

As at 31 December 2017, certain trade receivables with aggregate carrying amounts of HK$1,880,000 (2016: HK$835,000) were pledged to secure a loan advanced from a third party.

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

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**55,786**	88,672
91 to 120 days	**26,309**	–
121 days to 1 year	**63**	–
Over 1 year	**2,112**	2,944
	84,270	91,616

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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**11,052**	6,962	**6,943**	4,817
In the second to fifth years, inclusive	**32,776**	23,172	**26,163**	19,414
	43,828	30,134	**33,106**	24,231
Less: unearned finance income	**(10,722)**	(5,903)		
Present value of minimum lease payments	**33,106**	24,231		
Analysed for reporting purposes as:				
Current assets	**6,943**	4,817		
Non-current assets	**26,163**	19,414		
	33,106	24,231		

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

At 31 December 2017, the Group's finance lease receivables with a carrying amount of HK$33,106,000 (2016: HK$24,231,000) 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:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**10,993**	1,278
91 to 120 days	**5,667**	15
Over 120 days	**4,317**	2,478
	20,977	3,771

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 2017.

During the year, the Group continued to face intense competition in China market, together with the limited opportunities for growth offered in the market, which has raised difficulty for the Group's profitability. In the meantime, there was also a downward pressure for gas prices. Due to the reduction in revenue contribution from the gas segment subsequent to the completion of disposal of certain gas business in 2017, the consolidated revenue of the Group reduced from approximately HK$357.6 million for the year ended 31 December 2016 to approximately HK$252.6 million for the year ended 31 December 2017. Being affected by the exchange loss and the impairment losses recognised in gas business and land development project, the Group made a loss attributable to the owners of the parent of approximately HK$302.6 million (2016: approximately HK$259.7 million) for the year ended 31 December 2017.

For the year ended 31 December 2017, as impacted by the intense competition in the downstream gas markets, gas price was under pressure and sales volume decreased during 2017. As a result, gas business segment of the Group recorded a total revenue of approximately HK$156 million (2016: approximately HK$214.3 million), representing a decrease of 27% as compared to last year. In addition to the share transfer agreement for disposing the natural gas companies in Anhui Province, the Group will strive to improve the performance of gas business, and will continue to consider disposing of the remaining gas business when suitable opportunities arise in the future.

For the year ended 31 December 2017, 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$16.8 million (2016: approximately HK$16.7 million), representing an increase of 1% from the previous year.

The Grade-A office markets within the core business district in Shanghai remained relatively stable in 2017. 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 recorded sales revenue of approximately HK$79.7 million (2016: approximately HK$126.6 million), which was mainly derived from sales of construction materials. In respect of the PPP Class 1 land development of New Central Coastal City* (中部濱海新城) (the "**Project Land**") and the construction work of Ronggang Boulevard* (融港大道), aggregate developable commercial and residential land amounts to 3,990 mu. The Group will continue with the land development and launch land auctioning in 2018 as and when market conditions are appropriate.

During the year, in hopes of gradually improving the Company's various business development, the Group has adjusted its business segments, strengthened its management system and optimised its personnel structure in accordance with its business needs.

Looking into 2018, 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.

Li Chengning
Chairman

Hong Kong
28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2017, 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 and sales of construction materials in the PRC.

During the year, the Group recorded consolidated revenue amounted to approximately HK$252.6 million (2016: approximately HK$357.6 million), decreased by approximately HK$105 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 ended 31 December 2017 was approximately HK$62.1 million (2016: approximately HK$84.3 million), representing a decrease of 26% as compared with last year.

The net loss of the Group amounted to approximately HK$318.4 million during the year, increased by approximately HK$53.1 million from approximately HK$265.3 million in 2016. The net loss was mainly attributable to (i) the increase in exchange loss; (ii) the impairment losses on property, plant and equipment, prepayments, deposits and other receivables in gas business and finance leasing business; and (iii) the impairment loss on the goodwill amounted to approximately HK$48.2 million net off by gain on disposal of subsidiaries amounted to approximately HK$27.7 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 thereof since October 2016, the total revenue of the gas business slid to approximately HK$156 million (2016: approximately HK$214.3 million), representing a decline of 27% from last year, as the sales volume of CNG dropped to approximately 44,706,000 m^3 (2016: approximately 56,708,000 m^3). In 2017, the gas segment recorded a segment loss of approximately HK$66.2 million (2016: approximately HK$13.7 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 Leasing Business and Properties Investment

The Group's finance leasing and loan services and properties investment segment recorded a total revenue of approximately HK$16.8 million (2016: approximately HK$16.7 million) for the year, representing an increase of 1% as a result of the increase of interest income of LED finance leasing contracts.

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

The loss of this segment increased to approximately HK$96.3 million during the year (2016: approximately HK$74.2 million), mainly due to the increase in finance costs incurred for the investment in properties and impairment of other receivables during the year.

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

The Group's business in Fuqing City, Fujian Province recorded a sales revenue of approximately HK$79.7 million (2016: approximately HK$126.6 million) which was mainly generated from trading of construction materials.

The loss of this segment increased to approximately HK$57.8 million during the year (2016: approximately HK$12.1 million), mainly due to the impairment of goodwill during the year.

Business Outlook

In June 2017, the National Development and Reform Commission issued the "Guiding Opinions on Strengthening the Supervision over the Pricing of Gas Distribution"* (《關於加強配氣價格監管的指導意見》) to further extend the scope of regulation over the pricing of gas transmission and distribution. In addition, due to the impact of various unfavorable factors such as the vigorous development of electric vehicles in China, the market development and natural gas demand for vehicles will be confronted with greater pressure. Looking ahead, the Group will continue to optimise and restructure the remaining gas business as well as seek suitable opportunities to realise its value.

According to the China Finance Leasing Industry Development Report (2016-2017)* (中國融資租賃業發展報告(2016-2017)) issued by the Ministry of Commerce of the People's Republic of China in August 2017, the continuous improvement of supporting industries and management services, as well as financial and taxation related supporting policies will further strengthen the foundation of the development of the finance leasing industry in the future. Based on the positive business prospect, the Group will strive to expand the finance leasing market for other business sectors and value-added customers.

According to the Shanghai Statistics Bureau, Shanghai's overall economy grew at a steady pace in 2017 with a real GDP growth rate of 6.9% to approximately RMB3.01 trillion during the year. At the same time, the tertiary industry, including software and information technology services and financial services sectors, has witnessed a significant growth, which is expected to underpin the further demand for office buildings in Shanghai.

In October 2017, the 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, the Group will make efforts to speed up the land development and land auction progress.

Financial Resources

As at 31 December 2017, the Group's total debts (including trade payables, other payables and accruals, amount due to 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$2,748.9 million (2016: approximately HK$2,715.6 million), of which approximately HK$1,793.8 million (2016: approximately HK$1,746.6 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$35 million (2016: approximately HK$154 million). Net debt amounted to approximately HK$2,714.0 million (2016: approximately HK$2,561.6 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$3,398.9 million (2016: approximately HK$3,499.6 million), was 79.9% (2016: 73.2%).

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

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

Material Acquisition and Disposal

On 10 July 2017, Ontex Enterprises Limited ("**Ontex**"), an indirect non wholly-owned subsidiary of the Company, entered into the deed of replacement (the "**Deed of Replacement**") with Kingfun Investment Limited ("**Kingfun**"), pursuant to which Kingfun issued the new promissory note (the "**New Promissory Note**") with a principal amount of HK$89,000,000 to Ontex in replacement of the promissory notes (the "**Old Promissory Notes**") due on 15 June 2017. Reference is made to the announcement of the Company dated 4 December 2015 in relation to, among other things, the disposal of 17.5% of the issued share capital of Spotwin Investment Limited, an indirect non wholly-owned subsidiary of the Company, to Kingfun and the issuance of the Old Promissory Notes by Kingfun to satisfy part of the disposal consideration. As at the date of the Deed of Replacement, an aggregate principal amount of HK$69,439,970 of the Old Promissory Notes was repaid and an aggregate principal amount of HK$89,000,000 remained outstanding. Since the due date of the Old Promissory Notes on 15 June 2017, Ontex had been actively negotiating with Kingfun to find ways for the settlement of the Old Promissory Notes and subsequently Ontex and Kingfun agreed that the Old Promissory Notes would be replaced by the New Promissory Note. Details of the abovementioned issuance of the New Promissory Note were disclosed in the Company's announcement dated 10 July 2017.

On 10 October 2017, the Company, Sino Bloom Investments Limited (a direct wholly-owned subsidiary of the Company) (the "**Vendor**") and 南京德宸天宏新能源科技有限公司 (Nanjing De Chen Tianhong New Energy Technology Co., Ltd.*) (the "**Purchaser**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which, the Company has conditionally agreed to procure the Vendor to sell and the Purchaser has conditionally agreed to purchase the sale interest, representing 100% of the equity interest in 安徽中油潔能天燃氣有限公司 (Anhui Sinogas Company Limited*) and its subsidiaries for the consideration of RMB32,684,649.54 (equivalent to approximately HK$39.2 million). Details of the Equity Transfer Agreement were disclosed in the Company's announcement dated 10 October 2017.

Staff Benefits

As at 31 December 2017, the Group had a total of 343 employees (2016: 491). The staff costs for the year ended 31 December 2017 amounted to approximately HK$47 million (2016: approximately HK$48 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 2017, the Group had pledged certain land use rights, trade receivables, properties and finance lease receivables for bank borrowings granted.

MATERIAL 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:

On 6 November 2017, the Company announced the open offer (the "**Open Offer**") to raise not less than approximately HK$235 million and not more than HK$295 million before expenses on the basis of one offer share for every two existing shares of the Company then in issue held on the record date at the subscription price of HK$0.08 each. The Company subsequently announced on 18 December 2017 not to proceed with the Open Offer. For details, please refer to the announcements of the Company dated 6 November 2017, 29 November 2017 and 18 December 2017.

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 ended 31 December 2017, save and except as disclosed hereunder:

(i) code provision A.4.1 stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive Directors were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with the articles of association of the Company (the "**Articles**"); and

(ii) code provision D.1.4 stipulates that listed 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. 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 at all applicable times during the year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Company's auditors, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

REVIEW BY AUDIT COMMITTEE

The final results of the Group for the year ended 31 December 2017 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 ended 31 December 2017 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
Li Chengning
Chairman and Executive Director

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises Mr. Li Chengning (Chairman), Mr. Zhang Zhibiao, Ms. Wang Ying, Mr. Fu Fangxing, 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.

* *For identification purposes only*