AVIC Joy Holdings (HK) Limited
幸福控股（香港）有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 260)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "Board") of directors (the "Directors") of AVIC Joy Holdings (HK) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with the comparative figures for 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**145,430**	138,870
Cost of sales		**(112,848)**	(102,763)
Gross profit		**32,582**	36,107
Other income and gain	5	**4,789**	4,387
Selling and distribution expenses		**(16,585)**	(17,243)
Administrative expenses		**(61,096)**	(48,043)
Other operating and non-operating income/(expenses), net		**896**	(17,808)
Fair value gains/(losses) on investment properties		**(1,017)**	34,986
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)		**(18,839)**	–

	Notes	For the six months ended 30 June **2017** **(Unaudited)** ***HK$'000***	2016 (Unaudited) *HK$'000*
Finance costs	6	**(66,225)**	(70,512)
Share of profits and losses of joint ventures		**1,692**	1,059
Share of profits and losses of associates		**–**	7,211
LOSS BEFORE TAX	7	**(123,803)**	(69,856)
Income tax expense	8	**(2,194)**	(1,319)
LOSS FOR THE PERIOD		**(125,997)**	(71,175)
Attributable to:			
Owners of the parent		**(120,335)**	(68,319)
Non-controlling interests		**(5,662)**	(2,856)
		(125,997)	(71,175)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**HK(2.02) cents**	HK(1.15) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(125,997)**	(71,175)
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	**(18,839)**	(100,289)
Reclassification adjustments for impairment loss included in the condensed consolidated statement of profit or loss	**18,839**	–
	–	(100,289)
Exchange differences on translation of foreign operations	**35,139**	(4,581)
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**35,139**	(104,870)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(90,858)**	(176,045)
Attributable to:		
Owners of the parent	**(87,406)**	(173,075)
Non-controlling interests	**(3,452)**	(2,970)
	(90,858)	(176,045)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited)** *HK$'000*	31 December 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**61,300**	68,379
Investment properties		**1,961,555**	1,911,392
Prepaid land lease payments		**18,449**	18,222
Goodwill		**87,242**	87,242
Intangible assets		**964,644**	964,672
Investments in joint ventures		**60,091**	58,399
Investment in an associate		**–**	–
Available-for-sale investments		**44,880**	63,719
Other asset		**2,680**	2,680
Prepayments, deposits and other receivables		**9,838**	14,483
Finance lease receivables	12	**17,461**	19,414
Promissory notes receivable	15	**–**	168,000
Loan receivable from a joint venture		**23,474**	23,474
Total non-current assets		**3,251,614**	3,400,076
CURRENT ASSETS			
Inventories		**3,447**	3,511
Contract for services		**133,278**	116,602
Trade and bills receivables	11	**57,777**	88,672
Prepayments, deposits and other receivables		**263,228**	217,670
Finance lease receivables	12	**5,168**	4,817
Promissory notes receivable	15	**263,626**	91,126
Due from joint ventures		**213,285**	211,630
Due from a non-controlling shareholder		**4,657**	4,657
Tax recoverable		**364**	–
Cash and bank balances		**78,313**	153,990
Total current assets		**1,023,143**	892,675

	Note	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
CURRENT LIABILITIES			
Trade payables	13	**5,486**	3,771
Other payables and accruals		**70,952**	145,063
Finance lease payable		**821**	801
Convertible bonds		**48,743**	–
Interest-bearing bank and other borrowings		**437,522**	549,585
Loans from related companies		**193,253**	146,966
Due to a joint venture		**8,812**	8,596
Due to non-controlling shareholders		**174**	–
Tax payable		**–**	445
Total current liabilities		**765,763**	855,227
NET CURRENT ASSETS		**257,380**	37,448
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,508,994**	3,437,524
NON-CURRENT LIABILITIES			
Convertible bonds		**128,198**	167,000
Finance lease payable		**713**	1,128
Interest-bearing bank and other borrowings		**1,395,530**	1,196,983
Loan from a related company		**215,625**	210,612
Loans from non-controlling shareholders		**283,279**	285,124
Deferred tax liabilities		**243,991**	244,161
Total non-current liabilities		**2,267,336**	2,105,008
Net assets		**1,241,658**	1,332,516
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		**(1,445,596)**	(1,358,190)
		850,533	937,939
Non-controlling interests		**391,125**	394,577
Total equity		**1,241,658**	1,332,516

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").

During the period, the Group was principally involved in the operation of compressed natural gas ("CNG") refueling stations; management and operation of light-emitting diode ("LED") energy management contracts ("EMC"); provision of finance lease and loan services and properties investment; and provision of land development service and sale of construction materials in the People's Republic of China (the "PRC"). The Group operates LED EMC business through its investment in a joint venture.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the Group's adoption of certain revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2017, which did not have any effect on these interim condensed consolidated financial statements.

The financial information relating to the financial year ended 31 December 2016 that is included in this announcement of interim 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 (Cap. 622) (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 in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period'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 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) Management and operation of LED EMC;

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

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

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, certain finance costs, impairment of an available-for-sale investment, share of profits and losses of joint ventures and associates, fair value gains/(losses) on investment properties, net, as well as head office and corporate expenses are excluded from such measurement.

For the presentation of the Groups' 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.

The following table presents revenue and profit/(loss) for the Group's primary segments for the six months ended 30 June 2017 and 2016.

	Sale 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 sale of construction materials		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue from external customers	**81,629**	119,475	**–**	–	**–**	–	**56,572**	12,757	**138,201**	132,232
Interest income	**–**	–	**–**	–	**7,229**	6,638	**–**	–	**7,229**	6,638
	81,629	119,475	**–**	–	**7,229**	6,638	**56,572**	12,757	**145,430**	138,870
Segment results	**(9,260)**	(17,611)	**1,643**	(8)	**(11,451)**	(8,626)	**(6,836)**	(5,232)	**(25,904)**	(31,477)
Reconciliation:										
Interest income									**3,971**	2,878
Share of profits and losses of:										
Joint ventures	**(2,301)**	(4,011)	**3,993**	5,070	**–**	–	**–**	–	**1,692**	1,059
Associates	**–**	8,600	**–**	–	**–**	–	**–**	–	**–**	8,600
Share of profits and losses of associates – unallocated									**–**	(1,389)
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)									**(18,839)**	–
Finance costs	**(1,609)**	(1,566)	**–**	–	**(32,276)**	(36,994)	**(3,452)**	(2,025)	**(37,337)**	(40,585)
Finance costs – unallocated									**(28,888)**	(29,927)
Fair value gains/(losses) on investment properties, net	**–**	–	**–**	–	**(1,017)**	34,986	**–**	–	**(1,017)**	34,986
Corporate and other unallocated expenses									**(17,481)**	(14,001)
Loss before tax									**(123,803)**	(69,856)
Income tax expense									**(2,194)**	(1,319)
Loss for the period									**(125,997)**	(71,175)

5. REVENUE, OTHER INCOME AND GAIN

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of gas and petroleum products	**81,629**	119,475
Sale of construction materials	**56,572**	12,757
Interest income on finance leases and loans	**7,229**	6,638
	145,430	138,870
Other income		
Interest income	**182**	394
Promissory notes interest income	**2,147**	2,484
Gross rental income	**462**	1,100
Loan interest income from a joint venture	**1,642**	–
Others	**356**	279
	4,789	4,257
Gain		
Gain on disposal of items of property, plant and equipment	**–**	130
	4,789	4,387

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans (including convertible bonds)		
Bank loans	**36,630**	39,840
Other loans	**18,431**	11,449
Convertible bonds	**10,458**	18,479
Financing arrangement fees	**706**	744
	66,225	70,512

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and operation costs of gas refueling stations*	**57,726**	90,314
Cost of construction materials sold*	**55,122**	12,449
Depreciation on items of property, plant and equipment**	**9,339**	10,221
Amortisation of prepaid land lease payments	**595**	248
Amortisation of intangible assets	**48**	48
Gain on disposal of items of property, plant and equipment***	**–**	(130)
Loss on disposal of items of property, plant and equipment****	**44**	–
Loss on disposal of an investment property****	**–**	2,690
Reversal of impairment of trade receivables****	**(940)**	–
Impairment of other receivables****	**–**	15,118

* Included in "Cost of sales" on the face of the interim condensed consolidated statement of profit or loss.

** In the prior period, depreciation charges of HK$2,418,000 was included in cost of inventories sold and operating costs of gas refueling stations.

*** Included in "Other income and gain" on the face of the interim condensed consolidated statement of profit or loss.

**** Included in "Other operating and non-operating income/(expenses), net" on the face of the interim condensed consolidated statement of profit or loss.

8. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2016: Nil). Taxation on Mainland China profit was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**2,364**	1,102
Deferred	**(170)**	217
	2,194	1,319

9. 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 period attributable to ordinary equity holders of the parent of HK$120,335,000 (2016: HK$68,319,000), and the weighted average number of ordinary shares of 5,943,745,741 (2016: 5,943,745,741) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 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 earnings per share amount presented.

10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2017 (2016: Nil).

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Trade and bills receivables	**59,781**	91,616
Impairment	**(2,004)**	(2,944)
	57,777	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.

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:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Billed:		
0 to 90 days	**52,725**	88,672
91 to 120 days	**4,614**	–
121 days to 1 year	**438**	–
Over 1 year	**2,004**	2,944
	59,781	91,616

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 payments		Present value of minimum lease payments	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**7,148**	6,962	**5,168**	4,817
In the second to fifth years, inclusive	**20,385**	23,172	**17,461**	19,414
	27,533	30,134	**22,629**	24,231
Less: unearned finance income	**(4,904)**	(5,903)		
Present value of minimum lease payments	**22,629**	24,231		
Analysed for reporting purposes as:				
Current assets	**5,168**	4,817		
Non-current assets	**17,461**	19,414		
	22,629	24,231		

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

At 30 June 2017, the Group's finance lease receivables with aggregate carrying amount of HK$22,629,000 (31 December 2016: HK$24,231,000) were pledged as security for the Group's certain bank loans.

13. 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:

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within 90 days	**2,975**	1,278
91 to 120 days	**26**	15
Over 120 days	**2,485**	2,478
	5,486	3,771

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

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the Directors, this presentation would better reflect the financial position of the Group.

15. EVENTS AFTER REPORTING PERIOD

Included in the promissory notes receivable ("PN") as of 30 June 2017 were three PNs of HK$172,500,000 ("PN1"), HK$73,126,000 ("PN2") and HK$18,000,000 ("PN3"), respectively. On 10 July 2017, PN1 with original maturity date on 25 September 2018 was early redeemed by the note issuer and a finance cost of approximately HK$15,370,000 was incurred accordingly.

For PN2 and PN3, an aggregate amount of HK$2,126,000 had been settled up to 10 July 2017 and a deed was entered into for the replacement of the then aggregate outstanding principal amount of HK$89,000,000 with original maturity date on 15 June 2017 by a new promissory note ("PN4"). The interest rate of PN4 remains unchanged with maturity date revised to 15 June 2018. Details of the replacement were disclosed in the announcement of the Company dated 10 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2017, the principal business activities of the Company and its subsidiaries (the "Group") comprise the operation of compressed natural gas ("CNG") refueling stations, provision of finance lease and loan services and properties investment, provision of class 1 land development services and sale of construction materials in the People's Republic of China (the "PRC").

During the period, the revenue of the Group amounted to HK$145,430,000 (2016: HK$138,870,000), representing an increase of approximately 4.7% as compared with last period, which was mainly attributed to the increase in revenue generated from sale of construction materials.

The Group's gross profit for the period was HK$32,582,000 (2016: HK$36,107,000), representing a decrease of approximately 9.8% as compared with last period, with gross profit margin decreased from approximately 26% to approximately 22.4%.

The net loss of the Group was HK$125,997,000 during the period as compared with the net loss of HK$71,175,000 in the same period of last year. The increase in net loss was mainly attributable to (i) an impairment on an available-for-sale investment of approximately HK$18,839,000 was recorded during the period; and (ii) there was a fair value loss on investment properties of HK$1,017,000 during current period against a fair value gain in last period amounted to HK$34,986,000.

Operational Review

(1) *Gas Business*

During the reporting period, the total revenue of the gas business reduced to HK$81,629,000 (2016: HK$119,475,000), representing a decline of approximately 31.7% as compared with the same period of last year due to the sales volume of CNG dropped from 36,214,600 m^3 to 28,086,300 m^3 as compared with last same period. Since the Group commenced its restructuring in gas business in late 2014, gas business deteriorated as expected due to various factors, among other things, (i) the economic slowdown in the provinces of the remained 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

For the six months ended 30 June 2017, the finance leasing business and properties investment segment recorded an increase in revenue from HK$6,638,000 to HK$7,229,000 as compared with the same period of last year, mainly due to the increase in finance leasing interest income.

During the first half of 2017, the Grade A office leasing market in Shanghai remains active with solid demand in central business district although the average rent during the first half of 2017 experienced a slight decrease. The commercial property in Shanghai has not been leased out as the Group was reviewing what the optimal strategy is based on market conditions, including but not limited to, leasing the property en bloc or realising the property investment.

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

During the period, this business segment generated revenue from sale of construction materials of HK$56,572,000 (2016: HK$12,757,000) to the Group, represented an increase of HK$43,815,000 from the same period of last year. At the end of the reporting period, the total commercial and residential land area developed remained at approximately 550 mu. The land development progress was slowed down during the period due to the land auction schedule has been delayed as a result of adjustment in land policies by local government. The Group has been actively communicating with the local government for possible ways to resolve the delay and speed up the development progress.

Business Outlook

It is expected that the operating environment for gas business of the Group will remain difficult due to the sluggish energy prices, keen market competition, and the divergence of investment and operating strategies between the Group and certain business partners. The Group will look for ways to overcome the current situation, including but not limited to further restructuring or considering to dispose of the gas business when suitable opportunities arise in the future, as well as to take appropriate actions against those business partners who take a stance that is detrimental to the Group's business in order to protect the interests of the Group.

The finance leasing industry in the PRC has grown rapidly over the past decade. It is expected that the trend of government policies in supporting the innovation and technology development under the 13th Five-Year Plan for Economic and Social Development of China will boost production equipment upgrade in most industries such as medical sector, which is favorable for equipment leasing industry. The Group will continue to explore opportunities to enhance its finance leasing business.

At the end of 2016, the Fujian Provincial Government issued the "Notice on the further strengthening of the real estate market land regulation*" (關於進一步加強房地產市場土地調控的通知) to suppress the excessive growth in land prices, regulate and control land auction approval and procedures. In view of such policies and the recent delay in land auction, the Group will continue to communicate with the local government to speed up the development and land auction progress.

Financial Resources

As at 30 June 2017, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies, loans from non-controlling shareholders and convertible bond) amounted to approximately HK$2,702.2 million (31 December 2016: HK$2,556.3 million), of which HK$1,833.1 million (31 December 2016: HK$1,746.6 million) was related to bank and other borrowings at operating subsidiaries level and the mortgage loan for Shanghai property investment denominated in Renminbi. Cash and bank balances amounted to HK$78.3 million (31 December 2016: HK$154 million). Net borrowing amounted to HK$2,623.9 million (31 December 2016: HK$2,402.3 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net borrowing divided by equity attributable to owners of the parent of HK$850.5 million (31 December 2016: HK$938 million) plus net borrowing, was 75.5% (31 December 2016: 71.9%).

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

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

Material Acquisition and Disposal

The Group had no material acquisitions or disposals during the period.

Events after Reporting Period

Save as disclosed in note 15 to the condensed financial statements of the Group for the six months ended 30 June 2017 set out in this announcement, the Group did not have any other material subsequent event after the reporting period and up to the date of this announcement.

Staff Benefits

As at 30 June 2017, the Group had a total of 509 employees (2016: 553). The staff costs for the six months ended 30 June 2017 amounted to approximately HK$23.4 million (2016: HK$19.5 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits to staff include statutory mandatory provident fund, medical scheme and share option schemes. There was no major change in staff remuneration policies during the period.

* *For identification purpose only*

Human Resources

The Group remunerates and promotes employees according to a balanced mechanism based on individual performance, experience, professional qualification and prevailing market practices. The Group also encourages and subsidises staff to participate in job related studies, trainings and seminars for all-round development to continually enhance their contribution to and the sustainable development of the Group.

Pledge of Assets

As at 30 June 2017, the Group had pledged certain land use rights, properties and finance lease receivables for bank borrowings granted.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2017, save and except as disclosed hereunder:

(i) all non-executive directors (including independent non-executive directors) of the Company have not been appointed for a specific term as provided in code provision A.4.1 of the CG Code. However, the non-executive directors of the Company 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");

(ii) code provision D.1.4 of the CG Code stipulates that the listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have letters of appointment for directors of the Company (the "Directors"), however, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles. Moreover, Directors are required to comply with the requirements under statute and common laws, the Listing Rules, the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), legal and other regulatory requirements, if applicable; and

(iii) Rules 3.10(1), 3.10A and 3.21 of the Listing Rules stipulate that (i) every board of directors must include at least three independent non-executive directors; (ii) every board of directors must have independent non-executive directors representing at least one-third of the board; and (iii) the audit committee must comprise a minimum of three members and the majority must be independent non-executive directors. Following the resignation of Mr. Wu Meng as an independent non-executive Director and a member of each of the audit committee (the "Audit Committee"), the remuneration committee and the nomination committee of the Company with effect from 1 April 2017, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell to two that is below the minimum number as required under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Huang Bo as an independent non-executive Director and a member of each of the Audit Committee, the remuneration committee and the nomination committee of the Company on 30 June 2017 for filling the vacancy, the number of Directors increased to seven, of which three are independent non-executive Directors (representing not less than one-third of the Board) and accordingly, the Company has complied with Rules 3.10(1), 3.10A and 3.21 from 30 June 2017 onwards.

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 its code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Hu Xiaowen (chairman of the Audit Committee), Mr. Gong Changhui and Mr. Huang Bo. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee, which is of the opinion that such financial statements complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee, and have also been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.avicjoyhk.com). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 25 August 2017

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