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 2018

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 2018 together with the comparative figures for 2017 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**70,015**	145,430
Cost of sales		**(49,092)**	(112,848)
Gross profit		**20,923**	32,582
Other income	5	**3,668**	4,789
Selling and distribution expenses		**(9,720)**	(16,585)
Administrative expenses		**(45,385)**	(61,096)
Other operating and non-operating (expenses)/income, net		**(36,285)**	896
Fair value losses on investment properties, net		**–**	(1,017)
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 **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
Finance costs	6	**(66,180)**	(66,225)
Share of profits and losses of joint ventures		**8,206**	1,692
LOSS BEFORE TAX	7	**(124,773)**	(123,803)
Income tax expense	8	**(292)**	(2,194)
LOSS FOR THE PERIOD		**(125,065)**	(125,997)
Attributable to:			
Owners of the parent		**(104,550)**	(120,335)
Non-controlling interests		**(20,515)**	(5,662)
		(125,065)	(125,997)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**HK(1.76) cents**	HK(2.02) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(125,065)**	(125,997)
OTHER COMPREHENSIVE LOSS		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	**–**	(18,839)
Reclassification adjustment for impairment loss included in the consolidated statement of profit or loss	**–**	18,839
	–	–
Exchange differences on translation of foreign operations	**(2,918)**	35,139
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(2,918)**	35,139
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	**(31,029)**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(159,012)**	(90,858)
Attributable to:		
Owners of the parent	**(137,124)**	(87,406)
Non-controlling interests	**(21,888)**	(3,452)
	(159,012)	(90,858)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited)** *HK$'000*	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**32,010**	39,896
Investment properties		**2,030,140**	2,047,200
Prepaid land lease payments		**17,277**	18,269
Goodwill		**32,402**	32,402
Intangible assets		**964,619**	964,672
Investments in joint ventures		**79,505**	71,299
Investment in an associate		**–**	–
Available-for-sale investment		**–**	58,733
Financial asset at fair value through other comprehensive income		**27,704**	–
Other asset		**2,680**	2,680
Prepayments and deposits		**6,986**	7,414
Finance lease receivables	12	**28,061**	26,163
Total non-current assets		**3,221,384**	3,268,728
CURRENT ASSETS			
Inventories		**531**	2,634
Contract for services		**158,279**	148,835
Trade receivables	11	**40,279**	82,158
Prepayments, deposits and other receivables		**177,049**	206,107
Finance lease receivables	12	**8,324**	6,943
Promissory note receivable		**89,000**	89,000
Due from joint ventures		**204,803**	218,515
Due from a non-controlling shareholder		**322**	311
Cash and bank balances		**55,269**	34,867
		733,856	789,370
Assets of a disposal group classified as held for sale	13	**18,533**	–
Total current assets		**752,389**	789,370

	Notes	**30 June 2018 (Unaudited)** *HK$'000*	31 December 2017 (Audited) *HK$'000*
CURRENT LIABILITIES			
Trade payables	14	**4,194**	20,977
Other payables and accruals		**90,049**	73,064
Finance lease payable		**–**	840
Convertible bonds		**139,103**	182,011
Interest-bearing bank and other borrowings		**376,353**	415,741
Loans from a related company		**29,970**	–
Due to a joint venture		**9,119**	9,196
Tax payable		**2,356**	2,360
		651,144	704,189
Liabilities directly associated with the assets classified as held for sale	13	**36,806**	–
Total current liabilities		**687,950**	704,189
NET CURRENT ASSETS		**64,439**	85,181
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,285,823**	3,353,909
NON-CURRENT LIABILITIES			
Finance lease payable		**–**	288
Interest-bearing bank and other borrowings		**1,295,115**	1,378,030
Loans from related companies		**540,755**	372,253
Loans from non-controlling shareholders		**302,136**	296,509
Deferred tax liabilities		**241,733**	241,733
Total non-current liabilities		**2,379,739**	2,288,813
Net assets		**906,084**	1,065,096
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,235,799**	2,234,815
Equity component of convertible bonds		**21,291**	61,314
Other reserves		**(1,709,377)**	(1,611,292)
		547,713	684,837
Non-controlling interests		**358,371**	380,259
Total equity		**906,084**	1,065,096

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 property investment; and provision of land development services and sale of construction materials in the People's Republic of China (the "**PRC**"). The Group operates LED EMC business through its investment in a joint venture.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 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 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 for the year ended 31 December 2017.

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 2017, except for the Group's adoption of certain revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2018 as set out in note 3 below.

The financial information relating to the financial year ended 31 December 2017 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 2017 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 standards for the first time for the current period's financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

The Group applied HKFRS 9 and HKFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied HKFRS 9 using the modified retrospective method, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under HKAS 39. Differences arising from the adoption of HKFRS 9 have been recognised directly in the interim condensed consolidated statement of financial position as at 1 January 2018.

The nature of these adjustments are described below:

(a) Classification and measurement

Under HKFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of HKFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables, deposits and other receivables, promissory note receivables, amounts due from joint ventures and a non-controlling shareholder previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

- Equity investments in listed companies previously classified as available-for-sale (AFS) financial asset are now classified and measured as equity instruments designated at fair value through other comprehensive income. The Group elected to classify irrevocably its listed equity investments under this category as it intends to hold these investments for the foreseeable future. Impairment losses of HK$86,289,000 was recognised in profit or loss for these investments in prior periods. A transition adjustment of HK$86,289,000 to decrease the accumulated losses and decrease the investment revaluation reserve was recognised at 1 January 2018.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. HKFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. This change has no material impact to the interim condensed consolidated financial statements of the Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018. Other than the additional disclosures required, the adoption of HKFRS 15 has no material impact on the interim condensed consolidated financial statements of the Group.

The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related Interpretations.

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 station operation;

(b) Management and operation of LED EMC;

(c) Provision of finance lease and loan services and property 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, finance costs, impairment of an available-for-sale investment, as well as corporate and other unallocated expenses are excluded from such measurement.

During the period, the Company changed the presentation of operating segment results to include 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 period's presentation.

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.

All of the revenue from external customers are from sales of goods, which is recognised when the goods are transferred at a point in time.

	Sale of CNG and petroleum products		Management and operation of LED EMC		Provision of finance lease and loan services and property investment		Provision of land development services and sale of construction materials		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(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	**64,608**	81,629	**–**	–	**–**	–	**–**	56,572	**64,608**	138,201
Interest income	**–**	–	**–**	–	**5,407**	7,229	**–**	–	**5,407**	7,229
	64,608	81,629	**–**	–	**5,407**	7,229	**–**	56,572	**70,015**	145,430
Segment results	**(16,587)**	(13,147)	**11,127**	5,629	**(46,699)**	(44,690)	**(39,234)**	(9,313)	**(91,393)**	(61,521)
Reconciliation:										
Interest income									**–**	1,276
Impairment of an available-for-sale investment									**–**	(18,839)
Finance costs									**(26,026)**	(28,888)
Corporate and other unallocated expenses									**(7,354)**	(15,831)
Loss before tax									**(124,773)**	(123,803)
Income tax expense									**(292)**	(2,194)
Loss for the period									**(125,065)**	(125,997)
Other segment information:										
Depreciation and amortisation	**(5,415)**	(8,490)	**–**	–	**(470)**	(643)	**(163)**	(244)	**(6,048)**	(9,377)
Depreciation and amortisation – unallocated									**(260)**	(605)
Interest income	**1,509**	24	**469**	1,643	**68**	54	**882**	974	**2,928**	2,695
Share of profits and losses of joint ventures	**(2,469)**	(2,301)	**10,675**	3,993	**–**	–	**–**	–	**8,206**	1,692
Write off of inventories	**(291)**	–	**–**	–	**–**	–	**–**	–	**(291)**	–
(Impairment)/reversal of impairment of trade receivables	**77**	940	**–**	–	**–**	–	**(33,094)**	–	**(33,017)**	940
Impairment of prepayments, deposits and other receivables	**(136)**	–	**–**	–	**–**	–	**–**	–	**(136)**	–
Finance costs	**(2,118)**	(1,609)	**–**	–	**(34,961)**	(32,276)	**(3,075)**	(3,452)	**(40,154)**	(37,337)
Fair value losses on investment properties, net	**–**	–	**–**	–	**–**	(1,017)	**–**	–	**–**	(1,017)
Capital expenditure*	**(1,542)**	(2,708)	**–**	–	**–**	–	**–**	–	**(1,542)**	(2,708)
Capital expenditure – unallocated*									**(54)**	–

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

5. REVENUE AND OTHER INCOME

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of CNG and petroleum products	**64,608**	81,629
Sale of construction materials	**–**	56,572
Interest income on finance leases and loans	**5,407**	7,229
	70,015	145,430
Other income		
Interest income	**88**	182
Loan interest income	**1,970**	1,642
Promissory note interest income	**870**	2,147
Gross rental income	**394**	462
Others	**346**	356
	3,668	4,789

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings (including convertible bonds)		
Bank loans	**34,896**	36,630
Other borrowings	**19,572**	18,431
Convertible bonds	**9,385**	10,458
Amortisation of financing arrangement fees	**2,327**	706
	66,180	66,225

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and operation costs of gas stations*	**49,092**	57,726
Cost of construction materials sold*	**–**	55,122
Depreciation on items of property, plant and equipment	**5,535**	9,339
Amortisation of prepaid land lease payments	**724**	595
Amortisation of intangible assets	**49**	48
(Gain)/loss on disposal of items of property, plant and equipment**	**(799)**	44
Impairment/(reversal) of impairment of trade receivables**	**33,017**	(940)
Write off of inventories**	**291**	–
Impairment of prepayments, deposits and other receivables**	**136**	–
Compensation expenses**	**3,640**	–
Impairment of an available-for-sale investment	**–**	18,839
Fair value losses on investment properties, net	**–**	1,017

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

** Included in "Other operating and non-operating (expenses)/income, 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 (2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Mainland China	**292**	2,364
Deferred	**–**	(170)
	292	2,194

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$104,550,000 (2017: HK$120,335,000), and the weighted average number of ordinary shares of 5,943,745,741 (2017: 5,943,745,741) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the periods ended 30 June 2018 and 2017 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti–dilutive effect on the basic 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 2018 (2017: Nil).

11. TRADE RECEIVABLES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Trade receivables	**75,408**	84,270
Impairment	**(35,129)**	(2,112)
	40,279	82,158

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

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0 to 90 days	**4,800**	55,786
91 to 120 days	**–**	26,310
121 days to 1 year	**68,573**	62
Over 1 year	**2,035**	2,112
	75,408	84,270

As at 30 June 2018, certain trade receivables with aggregate carrying amount of HK$1,659,000 (31 December 2017: HK$1,880,000) were pledged to secure a loan advanced from a third party.

12. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

	Minimum lease payments		**Present value of minimum lease payments**	
	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
Finance lease receivables comprise:				
Within one year	**12,957**	11,052	**8,324**	6,943
In the second to fifth years, inclusive	**35,307**	32,776	**28,061**	26,163
	48,264	43,828	**36,385**	33,106
Less: unearned finance income	**(11,879)**	(10,722)		
Present value of minimum lease payments	**36,385**	33,106		
Analysed for reporting purposes as:				
Current assets	**8,324**	6,943		
Non-current assets	**28,061**	26,163		
	36,385	33,106		

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

At 30 June 2018, the Group's finance lease receivables with aggregate carrying amount of HK$36,385,000 (31 December 2017: HK$33,106,000) were pledged as security for the Group's certain bank loans.

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 11 April 2018, the Company, Jetco Innovations Limited, a direct wholly owned subsidiary of the Company, Shenzhen Sinogas Environmental Protection Technology Limited, an indirectly wholly owned subsidiary of the Company, and Shandong Rui Bang Technology Engineering Co., Ltd entered into the Equity Transfer Agreement, pursuant to which, the Company conditionally agreed to sell or procure its subsidiaries to sell and Shandong Rui Bang Technology Engineering Co., Ltd conditionally agreed to purchase (i) 100% of the issued share capital in Jetco Innovations Limited, which holds 50% of the equity interest in Shandong Sinogas Company Limited, an indirectly wholly owned subsidiary of the Company; (ii) 50% of the equity interest in Shandong Sinogas Company Limited held by Shenzhen Sinogas Environmental Protection Technology Limited; and (iii) the certain debts with these subsidiaries; at the aggregate consideration of RMB25,500,000 (equivalent to approximately HK$31,900,000). The disposal is expected to be completed by the end of September 2018. As at 30 June 2018, the subsidiaries to be disposed were classified as a disposal group held for sale and the assets and liabilities thereof are separately disclosed as held for sale in the interim condensed consolidated statement of financial position accordingly.

14. 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 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**262**	10,993
91 to 120 days	**422**	5,667
Over 120 days	**3,510**	4,317
	4,194	20,977

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

15. EVENTS AFTER REPORTING PERIOD

As at 30 June 2018, the Group invested in the shares of Peace Map Holding Limited ("**Peace Map**"), which are listed on the Stock Exchange, and have been classified as a financial asset at fair value through other comprehensive income amounting to HK$27,704,000. On 10 August 2018, joint provisional liquidators were appointed to Peace Map to perform provisional liquidation. In the opinion of the directors, if there is no significant change in relation to the provisional liquidation of Peace Map, the financial asset may have to be fully written off to the Group's consolidated other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2018 (the "**Period**"), the principal business activities of the Group comprise 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 property investment; and provision of land development services and sale of construction materials in the People's Republic of China (the "**PRC**"). The Group operates LED EMC business through its investment in a joint venture.

During the Period, the revenue of the Group amounted to HK$70,015,000 (2017: HK$145,430,000), representing a decrease of approximately 52% as compared with the same period of last year, which mainly attributed to the decrease in revenue generated from sale of construction materials.

The Group's gross profit for the Period was HK$20,923,000 (2017: HK$32,582,000), representing a decrease of approximately 36% as compared with the same period of last year, with gross profit margin increased from approximately 22.4% to approximately 29.9%.

The net loss of the Group was HK$125,065,000 during the Period as compared with the net loss of HK$125,997,000 in the same period of last year. The decrease in net loss was mainly attributable to (i) an impairment on an available-for-sale investment amounting to HK$18,839,000 was recognised in the same period of last year and the change in fair value of such investment was recognised in other comprehensive income as of 1 January 2018 upon the adoption of certain revised Hong Kong Financial Reporting Standards effective as of 1 January 2018; and (ii) a decrease in gross profit of HK$11,659,000 compared with the prior period; and offset by the impairment of trade receivables of HK$33,017,000 in the Period (2017: reversal of impairment: HK$940,000).

Operational Review

(1) Gas Business

During the Period, the total revenue of the gas business reduced to HK$64,608,000 (2017: HK$81,629,000), representing a decline of approximately 20.8% as compared with the same period of last year due to the sales volume of CNG dropped from 28,086,000 m^3 to 16,926,000 m^3 as compared to the same period of last year. Since the Group commenced its restructure in gas business in late 2014, gas business deteriorated as expected due to the various factors which, among others, included (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 local shareholders in certain business regions.

(2) Finance Leasing Business and Property Investment

For the six months ended 30 June 2018, the finance leasing business and property investment segment recorded a slightly decrease in revenue from HK$7,229,000 to HK$5,407,000 as compared with the same period of last year, mainly due to the decrease in finance leasing interest income.

During the first half of 2018, the Grade A office leasing markets in Shanghai remain active with solid demand in central business district although the average rent during the first half of 2018 experienced a slight decrease. The commercial property in Shanghai has not been leased out as the Group was formulating and altering its strategy based on market conditions, including leasing the property or realizing the property at an enhanced capital value.

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

During the Period, this business segment did not generate any revenue from sale of construction materials (2017: HK$56,572,000) and net loss of this business segment was HK$39,234,000 (2017: HK$9,313,000) due to the impairment of trade receivables amounting to HK$33,094,000 during the Period (2017: Nil).

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 local shareholders. The Group will look for ways to overcome the current situation, including but not limited, to continue the restructuring plan and consider the disposal of the gas business when suitable opportunities arise in the future, as well as to take appropriate actions against those local shareholders in order to protect the interests of the Group.

The financial 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 People's Government issued the "Notice on Further Strengthening of Land Control in the Real Estate Market" (關於進一步加强房地產市場土地調控的通知) to suppress the excessive growth in land prices, and 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 2018, the Group's total debts (including trade payables, other payables and accruals, amount due to a joint venture, finance lease payable, interest-bearing bank and other borrowings, loans from related companies, loans from non-controlling shareholders and convertible bonds) amounted to HK$2,786.8 million (31 December 2017: HK$2,748.9 million), of which HK$1,671.5 million (31 December 2017: HK$1,793.8 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$55.3 million (31 December 2017: HK$35 million). Net debt amounted to HK$2,731.5 million (31 December 2017: HK$2,714.0 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of HK$3,279.2 million (31 December 2017: HK$3,398.9 million), was 83.3% (31 December 2017: 79.9%).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

Material Acquisition and Disposal

On 11 April 2018, the Company, Jetco Innovations Limited (a direct wholly-owned subsidiary of the Company) ("**Jetco Innovations**"), Shenzhen Sinogas Environmental Protection Technology Limited (an indirect wholly-owned subsidiary of the Company) ("**Shenzhen Sinogas**") and Shandong Rui Bang Technology Engineering Co., Ltd. ("**Shandong Rui Bang**") entered into an equity transfer agreement, pursuant to which, the Company has conditionally agreed to sell and Shandong Rui Bang has conditionally agreed to purchase (i) 100% of the issued share capital in Jetco Innovations, which holds 50% of the equity interest in Shandong Sinogas Company Limited; (ii) 50% of the equity interest in Shandong Sinogas Company Limited held by Shenzhen Sinogas; and (iii) certain debts owed by the disposed companies to the Group for the consideration of RMB25,500,000. For details, please refer to the announcement of the Company dated 11 April 2018.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the first half of 2018.

Events after the Period

As at 30 June 2018, the Group invested in the shares of Peace Map Holding Limited ("**Peace Map**"), which are listed on the Stock Exchange, and have been classified as a financial asset at fair value through other comprehensive income amounting to HK$27,704,000. On 10 August 2018, joint provisional liquidators were appointed to Peace Map to perform provisional liquidation. If there is no significant change in relation to the provisional liquidation of Peace Map, the financial asset may have to be fully written off to the Group's consolidated other comprehensive income. The Board will pay attention to the winding-up progress of Peace Map and keep assessing the financial effect to the Group. The Company will make further announcement(s) to inform the shareholders of the Company as and when appropriate.

Employees and Remuneration Policies

As at 30 June 2018, the Group had a total of 355 employees (2017: 509). The staff costs for the six months ended 30 June 2018 amounted to approximately HK$17.2 million (2017: HK$ 23.4 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 on staff remuneration policies during the Period.

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 subsidizes 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 2018, the Group had pledged certain land use rights, properties, finance lease receivables and trade receivables for bank and other 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 Period.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all 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 of Hong Kong Limited (the "**Stock Exchange**") during the Period, save and except the following:

(i) code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 28 March 2018, Mr. GUAN Liqun ("**Mr. Guan**") performed his duties as the chairman and the chief executive officer of the Company. After evaluation the current situation of the Company and taking the experience of Mr. Guan into account, the Board is of the view that the serving by Mr. Guan as the chairman and the chief executive officer of the Company during current development of the business is beneficial to the consistency of business plans and decision-making of the Company. The Board will continue to review the current management structure from time to time and shall make changes where appropriate and inform the investors of the Company accordingly;

(ii) code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors (including independent non-executive Directors) have been appointed without specific terms. However, the non-executive Directors 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; and

(iii) code provision D.1.4 of the CG Code stipulates that 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 the Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the articles of association of the Company. Moreover, the Directors are required to comply with the requirements under statute and common laws, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and other applicable legal and regulatory requirements.

COMPLIANCE WITH MODEL CODE

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 Directors' securities transactions. 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 Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising all the independent non-executive Directors, namely Mr. GUO Wei (chairman of the Audit Committee), Ms. WU Rui and Mr. JIANG Ping, has reviewed the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters with the management of the Group. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been reviewed by the Audit Committee, which is of the opinion that such financial statements have 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 BY AUDITOR

The figures in respect of this preliminary announcement of the Group's interim results for the six months ended 30 June 2018 have been agreed with the Company's auditor, Ernst & Young, to the amounts set out in the Group's unaudited consolidated financial statements for the Period. 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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 2018 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
GUAN Liqun
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises Mr. GUAN Liqun (Chairman and Chief Executive Officer), 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.