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If you have sold or transferred all your shares in **AVIC Joy Holdings (HK) Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE SALE SHARES AND
SALE ACCOUNTS RECEIVABLES AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Unless the context otherwise requires, all capitalised terms used in this circular shall have the same meanings set out in the section headed “Definitions” of this circular.

A notice convening the EGM to be held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Monday, 19 August 2024 at 11:00 a.m. or immediately after the conclusion of the 2024 annual general meeting of the Company to be held on the same day at 10:30 a.m. (whichever is later) is set out on pages 48 to 50 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are not able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

31 July 2024

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix I — Financial Information of the Group	21
Appendix II — Unaudited Pro Forma Financial Information of the Remaining Group	28
Appendix III — General Information	43
Notice of EGM	48

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meaning:

“2023 Annual Report”	the annual report of the Company for the year ended 31 December 2023 published on 28 June 2024
“Announcement”	the announcement of the Company dated 28 June 2024 in relation to the Disposal
“Auditors”	ZHONGHUI ANDA CPA Limited, the auditor of the Company
“AVIC Fujian”	AVIC International (Fujian) Industrial Co. Ltd, a subsidiary of Excellent Top
“Board”	the board of Directors
“Business Day(s)”	any day or a day on which licensed banks are generally open for business in Hong Kong throughout their normal business hours for the provision of banking services (other than Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above is hoisted, a “black” rainstorm warning is issued or the Extreme Condition is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong)
“Company”	AVIC Joy Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	date of the Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$28,000,000, being the total consideration for the Disposal
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Disposal”	the disposal of the Sale Shares and Sale Accounts Receivables by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreement
“Disposal Group”	Jia Lian International, Excellent Top and their respective subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened and held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Central, Hong Kong, on Monday, 19 August 2024 at 11:00 a.m. or immediately after the conclusion of the 2024 annual general meeting of the Company to be held on the same day at 10:30 a.m. (whichever is later) for the Shareholders to consider and, if thought fit, approve the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Excellent Top”	Excellent Top Group Limited, a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Extension Letter”	the extension letter dated 12 June 2024 between the Vendors and the Purchaser to extend the payment date of the Initial Deposit to on or before 20 June 2024 (or such other date and time as may be agreed between the Vendors and the Purchaser)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Jia Lian Group”	Jia Lian International and its subsidiaries
“Jia Lian International”	Jia Lian International Limited, a joint venture of the Company as at the Latest Practicable Date
“Latest Practicable Date”	25 July 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2024, or such later date as may be agreed between the Vendors and the Purchaser in writing
“Mr. Yu”	Mr. Yu Yao, a PRC citizen
“PPP Project Group”	Excellent Top and its subsidiaries
“PPP Project Group Company”	any of the PPP Project Group
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Supreme Mode Limited, a company incorporated in the British Virgin Islands with limited liability
“Remaining Group”	the Group immediately upon Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Accounts Receivables”	Sale Accounts Receivables A and Sale Accounts Receivables B
“Sale Accounts Receivables A”	any indebtedness, accounts receivable or obligations owing by Jia Lian Group to the Company and Guangdong Zi Yu Tai Finance Leasing Company Limited, a wholly-owned subsidiary of the Company, prior to Completion, whether incurred, likely to be incurred, due or to become due
“Sale Accounts Receivables B”	any indebtedness, accounts receivable or obligations owing by Jia Lian International to Tongda Environmental prior to Completion, whether incurred, likely to be incurred, due or to become due
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 May 2024 (as amended and supplemented by the Extension Letter) entered into between the Vendors and the Purchaser in relation to the Disposal
“Sale Shares”	Sale Shares A and Sale Shares B

DEFINITIONS

“Sale Shares A”	450 shares of Jia Lian International held by Tongda Environmental as at the date of the Sale and Purchase Agreement
“Sale Shares B”	1 share of Excellent Top, representing the entire equity interests of Excellent Top held by the Company as at the date of the Sale and Purchase Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tongda Environmental”	Tongda Environmental Technology Limited, a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Vendors”	the Company and Tongda Environmental
“Zi Yu Tai”	Guangdong Zi Yu Tai Finance Leasing Company Limited, a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chang Chien (*Chairman*)

Mr. Lam Toi Man

Mr. Zhu Chengye

Registered Office:

Unit 1905A, Level 19

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Independent non-executive Directors:

Mr. To Chun Kei

Mr. Lok Tze Bong

Mr. Cheung Ting Pong

31 July 2024

To the Shareholders,

Dear Sir/Madam,

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE SALE SHARES AND
SALE ACCOUNTS RECEIVABLES AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Disposal. As disclosed in the Announcement, (a) on 28 May 2024, the Company, Tongda Environmental and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (i) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares A; (ii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares B; (iii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables A; and (iv) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables B, by a total consideration of HK\$28,000,000; and (b) on 12 June 2024, the Company, Tongda Environmental and the Purchaser entered into the Extension Letter to extend the payment date of the Initial

LETTER FROM THE BOARD

Deposit (as defined below) to on or before 20 June 2024. Save as disclosed, all other terms and conditions of the Sale and Purchase Agreement remain unchanged and continue to be in full force and effect.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) the notice of EGM; and (iii) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below:

Date: 28 May 2024

Parties:

- (a) the Company;
- (b) Tongda Environmental; and
- (c) the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Subject matter:

(i) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares A; (ii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares B; (iii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables A; and (iv) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables B, by a total consideration of HK\$28,000,000. As at the date of the Sale and Purchase Agreement, (i) the aggregate amount owed by Jia Lian Group to the Company and Zi Yu Tai under Sale Accounts Receivables A was approximately HK\$79.9 million; and (ii) the aggregate amount owed by Jia Lian International to Tongda Environmental under Sale Accounts Receivables B was approximately HK\$26.4 million.

LETTER FROM THE BOARD

Consideration:

The total consideration of HK\$28,000,000 (which comprised of HK\$27,999,997 attributable to Sale Shares A, HK\$1 attributable to Sale Shares B, HK\$1 attributable to Sale Accounts Receivables A, and HK\$1 attributable to Sale Accounts Receivables B, respectively) shall be payable by the Purchaser upon Completion in cash in the following manner:

- (1) HK\$2,000,000 (the “**Initial Deposit**”) shall be payable to Tongda Environmental or its nominee within seven (7) Business Days after signing of the Sale and Purchase Agreement, and as extended to on or before 20 June 2024 by way of the Extension Letter since additional time is required for the Purchaser to arrange payment of the Initial Deposit to Tongda Environmental;
- (2) HK\$6,000,000 (the “**Second Deposit**”) shall be payable to Tongda Environmental or its nominee on the first Business Day after fulfilment of clause (a) of conditions precedent as set out in the section headed “Conditions precedent” below;
- (3) HK\$10,000,000 (the “**Third Deposit**”, together with the Initial Deposit and Second Deposit, the “**Deposits**”) shall be payable to Tongda Environmental or its nominee within thirty (30) Business Day after receipt of the Second Deposit; and
- (4) the remaining HK\$10,000,000 (i.e. HK\$2 to the Company or its nominee and HK\$9,999,998 to Tongda Environmental or its nominee) shall be payable after Completion and on or before 31 December 2024.

LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser with reference to, among other things, (i) the recoverability of account receivables is uncertain; (ii) the Disposal Group had liabilities of approximately HK\$363,947,000 as at 31 December 2023; (iii) the current liabilities as well as contingent liabilities of the Disposal Group are difficult to assess as the Disposal Group is considered distressed assets of the Group; (iv) the loss of control over and access of the books and records of Jia Lian International have put the Group in a difficult position to make meaningful business decision; and (v) other reasons for and benefits of the Disposal as set out in the sections headed "Financial effects of the Disposal" and "Reasons for and benefits of the Disposal" in this circular below.

In view of the above, the Board is of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole. For the avoidance of doubt, save for the aforementioned extension of the payment date of the Initial Deposit, all other terms and conditions of the Sale and Purchase Agreement remain unchanged and continue to be in full force and effect.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) (if applicable) the passing of the ordinary resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM;
- (b) all necessary consents and approvals to be obtained on the part of the Vendors in respect of the Disposal having been obtained; and
- (c) all necessary consents and approvals to be obtained on the part of the Purchaser in respect of the Disposal having been obtained.

None of the conditions above can be waived. If the conditions set out above have not been satisfied on or before the Long Stop Date, or such later date as the Vendors and the Purchaser

LETTER FROM THE BOARD

may agree in writing, the Sale and Purchase Agreement shall cease and determine and the Vendors shall return the Deposits (without interest) to the Purchaser as soon as possible thereafter, and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

Completion

Completion shall take place on the date within five Business Days from which all the condition precedents have been fulfilled or such other date as the Vendors and the Purchaser may agree in writing.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in management and operation of light-emitting diode (“LED”) energy management contracts (“EMC”), supply and installation service for LED products; provision of finance lease and loan services and property investment; trading of gas and petroleum products and provision of land development services in the PRC.

Tongda Environmental

Tongda Environmental is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date. Tongda Environmental is an investment holding company.

Jia Lian International

Jia Lian International is a company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, Jia Lian International is a joint venture of the Company. Jia Lian International is an investment holding company and the Jia Lian Group is principally engaged in the management and operation of LED energy management contracts in the PRC.

Excellent Top

Excellent Top is incorporated in the British Virgin Islands with limited liability.

As at the Latest Practicable Date, (i) Excellent Top is a wholly-owned subsidiary of the Company; and (ii) PPP Project Group is mainly engaged in the land development and construction business in Fujian Province, including but not limited to the provision of the PPP Project land development services.

LETTER FROM THE BOARD

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. According to Mr. Yu, the ultimate beneficial owner of the Purchaser, he graduated from the College of Architecture and Urban Planning at Tongji University in Shanghai and ventured into his own business, specialising in the procurement of building equipment and providing conversion services for industrial buildings in Shanghai and Jiangsu Province in 2006. Since 2017, Mr. Yu had expanded his business to include the acquisition and management of distressed industrial buildings.

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below is a summary of the financial results of the Disposal Group in the consolidated financial statements of the Group for the years ended 31 December 2022 and 2023, respectively:

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	–	–
Profit before tax	1,864	902
Profit after tax	1,864	902

Set out below is a summary of the financial results of the Jia Lian Group in the consolidated financial statements of the Group for the years ended 31 December 2022 and 2023, respectively:

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Share of profits of joint ventures	–	7,598
Profit before tax	–	7,598
Profit after tax	–	7,598

For reasons as set out in the section headed “Reasons for and benefits of the Disposal” below, the Company was unable to have access to the financial, legal and administration records of Jia Lian Group for the six months ended 31 December 2022 and the year ended 31 December 2023. Therefore, no share of profits of joint ventures figure has been obtained from Jia Lian Group for the years ended 31 December 2022 and 2023, while the share of profits of joint

LETTER FROM THE BOARD

ventures figure for the year ended 31 December 2022 only represents the share of results of joint ventures for the six months ended 30 June 2022.

Set out below is a summary of the financial results of Excellent Top and its subsidiaries in the consolidated financial statements of the Group for the years ended 31 December 2022 and 2023, respectively:

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	–	–
Profit/(loss) before tax	1,864	(6,696)
Profit/(loss) after tax	1,864	(6,696)

As disclosed in the annual result announcement of the Group for the year ended 31 December 2023, the Group is unable to obtain accounting books and records in respect of subsidiaries of Excellent Top, i.e. AVIC Fujian and its subsidiary for both years ended 31 December 2022 and 2023. The financial information of AVIC Fujian and its subsidiary for the period from 1 January 2022 to 30 June 2022, which is the latest financial information available to the Group, together with best estimates of other income, administrative expenses and finance costs for the period from 1 July 2022 to 31 December 2022, are consolidated in the Group's consolidated financial statement. For illustration purposes only, no revenue, profit/(loss) before tax or profit/(loss) after tax of AVIC Fujian and its subsidiary was attributed to the financial results of Excellent Top and its subsidiaries for the year ended 31 December 2023.

The liabilities of the Disposal Group as at 31 December 2023 amounted to approximately HK\$363,947,000. The net assets of the Disposal Group as at 31 December 2023 amounted to approximately HK\$111,424,000.

The amounts due from Disposal Group as at 31 December 2023 amounted to approximately HK\$107,228,000, including, (i) the aggregate amount owed by Jia Lian Group to the Company and Zi Yu Tai under Sale Accounts Receivables A of approximately HK\$80.9 million, which comprise of (a) finance leases receivables amounted to approximately HK\$3.6 million; (b) non-trade current accounts receivables amounted to approximately HK\$77.3 million; and (ii) the aggregate amount owed by Jia Lian International to Tongda Environmental under Sale Accounts Receivables B of approximately HK\$26.4 million, which comprise of loans receivables.

As at the Latest Practicable Date, (i) the aggregate amount owed by Jia Lian Group to the Company and Zi Yu Tai under Sale Accounts Receivables A was approximately HK\$79.6 million; and (ii) the aggregate amount owed by Jia Lian International to Tongda Environmental under Sale Accounts Receivables B was approximately HK\$26.4 million.

LETTER FROM THE BOARD

The Auditors has issued disclaimer of opinion on the Group's consolidated financial statements for the years ended 31 December 2022 and 2023 (the “**Disclaimer of Opinion**”) in relation to (i) intangible assets and related deferred tax liabilities, contract costs, promissory note receivables, trade receivables, and limited accounting books and records of two subsidiaries regarding Excellent Top and its subsidiaries; and (ii) investments in joint ventures, amounts due from joint ventures and finance lease receivables from joint ventures regarding Jia Lian Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Trading in the shares of the Company on the Stock Exchange has been suspended from 29 November 2022 and on 30 March 2023, the Company received a letter from the Stock Exchange providing the additional resumption guidance (the “**Additional Resumption Guidance**”) for the resumption of trading in the Company's shares that to publish all outstanding financial results and address any audit modifications.

References are also made to (i) the announcements of the Company dated 28 February 2023, 25 May 2023, 24 August 2023, 27 November 2023, 28 February 2024 and 28 May 2024, in relation to, among others, the quarterly update on suspension of trading of shares of the Company (the “**Quarterly Update Announcements**”) and (ii) the 2023 Annual Report.

The PPP Project Group is mainly engaged in the PPP Class 1 land development business in relation to the Central New Coastal City and the construction of Ronggang Avenue (the “**PPP Project**”). The development of the project involves a total of 3,990 mu of land available to be developed for commercial and residential uses.

In respect of the PPP Project Group, the development of the PPP Project has been suspended since 2018 due to the changes in relevant domestic laws and regulations and changes in the government's attitude towards the PPP Project. Although the Group had filed a lawsuit against the Fuqing Municipal People's Government aiming to continue the execution of the land development project in relation to the PPP Project in May 2018, the petition and subsequently the appeal filed by the Group were dismissed. Please refer to the 2023 Annual Report and the announcement of the Company dated 31 January 2023 for details of the aforesaid litigation. Due to the aforesaid circumstance which is outside of the Company's control, no revenue or profit has been generated from the PPP Project since 2018 and the Board is of the view that the possibility of re-commencing the development of the PPP Project is unlikely. Since 2022, the Group had repeatedly requested two of its subsidiaries, i.e. AVIC Fujian and its subsidiary for the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022 but in vain. Therefore, on 20 September 2023, the Group filed a lawsuit with the Fuzhou Gulou District People's Court in Fujian Province to request AVIC Fujian and its subsidiary to provide its accounting books and records. On 26 December 2023, the Fuzhou Gulou District People's Court has issued a judgment to order AVIC Fujian and its subsidiary to provide its accounting books and records to the Group within 20 days after the effective date of judgment. AVIC Fujian filed the appeal in March 2024 to the Fuzhou Intermediate People's Court in Fujian Province (“**Intermediate People Court**”) to set aside the judgment. On 10 April 2024, the Intermediate People Court dismissed the appeal and

LETTER FROM THE BOARD

the original judgment was upheld. The Group is in the progress in enforcing court judgments to obtain the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022. Up to the Latest Practicable Date, the accounting books and records in respect of the AVIC Fujian and its subsidiary have not yet been obtained by the Group. For illustration purposes only, as set out in the 2023 Annual Report, as at 31 December 2023, there is an amount of HK\$Nil intangible assets in respect of land development contracts in relation to the PPP Project.

In respect of the Jia Lian Group, since October 2022, the Company has been experiencing difficulties in establishing contact with the other shareholder of Jia Lian International. As at the Latest Practicable Date, despite all reasonable steps have been taken by the management of the Company, including, repeatedly and persistently made verbal and written requests to the financial department of Jia Lian International demanding the provision of accounting books and records for the preparation of the consolidated financial statements of the Group, the Directors have not been able to locate and get access to the books and records of Jia Lian International and the other shareholder of Jia Lian International did not respond to the request for any information from the Group. As a result, the Company could not exercise control over the Jia Lian Group. Hence, the Group has no access to recover the account receivables from Jia Lian Group. In addition, Jia Lian International is also subject to a litigation involving Tongda Environmental in respect of a breach of a loan agreement dated 30 September 2015. Please refer to the Quarterly Update Announcements for further details.

Given the substantive time and cost spent as well as the efforts exhausted by the management of the Group to continue the PPP Project and to resolve the inability to access the books and records of the Jia Lian Group, the Directors consider that the Disposal represents a good opportunity to dispose of the Disposal Group.

In view of the above, the Company has engaged an independent disposal agent, Acclime Corporate Advisory (Hong Kong) Limited (formerly known as RSM Corporate Advisory (Hong Kong) Limited) (the “**Agent**”) which is principally engaged in the provision of corporate advisory services specialising in liquidation, bankruptcy, receivership, debt restructuring, forensic investigation and litigation support, etc. in March 2024 to seek interested buyers in relation to the Disposal. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Agent is a third party independent of and not connected with the Company and its connected persons.

The Agent then received an expression of interest from the Purchaser to acquire the Sale Shares. After further discussion on the terms of the Disposal and provided further information of the Disposal Group to the Purchaser, including the legal cases concerned, the Purchaser made a reasonable offer. As such, the Purchaser and the Vendors entered into the Sale and Purchase Agreement and the terms of the Sale and Purchase Agreement (including the Consideration) were negotiated between the Vendors and the Purchaser on an arm’s length basis. Save for the Sale and Purchase Agreement, there is no side arrangement, understanding or undertaking (whether formal or informal and whether expressed or implied) between the Company, the Purchaser and/or its connected persons in relation to the Disposal.

LETTER FROM THE BOARD

The Directors also consider that the Disposal enables the Group to (i) realise its investment in the Disposal Group; (ii) address the issue arising from the qualified opinion in the financial statements of the Company for the coming financial years and to satisfy the Additional Resumption Guidance; and (iii) save resources, efforts and time for the management of the Group to explore on and deal with new businesses and customers.

Upon Completion, (i) the Company would not be beneficial in any equity interest of Excellent Top and Excellent Top will cease to be the subsidiary of the Company; (ii) the Company would not be beneficial in any equity interest of Jia Lian International and Jia Lian International will cease to be the joint venture of the Company; and (iii) the financial results of the Disposal Group will no longer be consolidated in the Company's financial statements (the "**Deconsolidation**"). References are made to the announcements of annual results of the Group for the years ended 31 December 2022 and 2023 dated 28 May 2024 in relation to the Disclaimer of Opinion issued by the Auditors. The management of the Company had consulted the Auditors and was given to understand that upon completion of the Disposal, (a) the Disclaimer of Opinion with regard to (i) intangible assets and related deferred tax liabilities; (ii) contract costs; (iii) promissory note receivables; (iv) trade receivables; and (v) limited accounting books and records of AVIC Fujian and its subsidiary of the audit report for the year ended 31 December 2023 will no longer affect the financial position of the Group as at 31 December 2024 and the Disclaimer of Opinion can be removed; (b) the Disclaimer of Opinion with regard to investments in joint ventures, amounts due from joint ventures and finance lease receivables from joint ventures of the audit report for the year ended 31 December 2023 will no longer affect the financial position of the Group as at 31 December 2024 and the Disclaimer of Opinion can be removed; and (c) however, there will be a modified opinion in the auditor's report for the year ending 31 December 2024 regarding the gain or loss on Disposal and a modified opinion in the auditor's report for the year ending 31 December 2025 regarding the 2024 comparative figure.

The Directors are of the view that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

As of the Latest Practicable Date, Excellent Top is owned as to 100% by the Company and Jia Lian International is a joint venture of the Company. Upon Completion, (i) Excellent Top will cease to be the subsidiary of the Company; (ii) Jia Lian International will cease to be the joint venture of the Company; and (iii) the financial results of Jia Lian International and Excellent Top will no longer be consolidated in the Company's financial statements.

The estimated net proceeds from the Disposal, calculated based on the Consideration of HK\$28,000,000 minus the estimated related expenses of the Disposal of approximately HK\$1,000,000, is approximately HK\$27,000,000. The Company intends to apply the total net proceeds for further development of the existing LED business and seeking potential target in order to broaden the income stream of the Company.

LETTER FROM THE BOARD

The Board is of the view that the Consideration is fair and reasonable and on normal commercial terms having considered the following:

- (i) the Consideration of HK\$28 million was arrived at arm's length negotiations between the Vendors and the Purchaser;
- (ii) the Consideration of HK\$28 million was the highest amount agreed by the Purchaser during the negotiations between the Vendors and the Purchaser;
- (iii) there was only one interested party (i.e. the Purchaser) approached the Agent in respect of the Disposal;
- (iv) the Board is of the view that rejecting the offer with the consideration of HK\$28 million and turning down the Disposal are not in the interest of the Company and the Shareholders as a whole having considered that:
 - (a) the Company has been unable to obtain accounting books and records in respect of Jia Lian Group and AVIC Fujian and its subsidiary since 1 July 2022, details of which are set out in the section headed "Reasons for and benefits of the Disposal" above;
 - (b) Jia Lian Group has not contributed any share of profits of joint ventures to the Company since 1 July 2022;
 - (c) AVIC Fujian and its subsidiary have not contributed any revenue to the Company since 1 July 2022;
 - (d) the Group have already spent substantive time and cost in attempting to resolve the inability to access the books and records of the Disposal Group, and it is expected that additional time, costs, resources, legal expenses as well as effort of the management of the Group will be incurred if the Disposal Group is retained. The Disposal, if completed, can thus save time and resources of the Group and the Group can focus on its operation and development; and
 - (e) the Consideration could enhance Company's cash position;
- (v) while the Company is unable to obtain accounting books and records in respect of Jia Lian Group and AVIC Fujian and its subsidiary since 1 July 2022, the authenticity of net asset value of Jia Lian Group and AVIC Fujian and its subsidiary as at 31 December 2023 is in doubt;
- (vi) the net asset value of Excellent Top and its subsidiaries excluding AVIC Fujian and its subsidiary as at 31 December 2023 amounted to approximately HK\$21.4 million, which mainly attributable to the promissory notes receivables of approximately HK\$62,300,000 issued by Kingfun Investment Limited to the Group and related

LETTER FROM THE BOARD

interest receivables of approximately HK\$12,525,000 as at 31 December 2023. However, as set out in the independent auditor's report of the 2023 Annual Report, the recoverable amount mainly depends on continuation of the PPP Project. Nonetheless, having considered that the development of the PPP Project has been suspended since 2018, and the petition and subsequently the appeal filed by the Group has been dismissed by the courts (details of which are set out under the section headed "Reasons for and benefits of the Disposal" above), the management considers that the chance of continuing the PPP Project and realising the investment in the PPP Project Group are unlikely;

- (vii) as at the Latest Practicable Date, the amounts due from Disposal Group amounted to approximately HK\$106.0 million, including, (i) the aggregate amount owed by Jia Lian Group to the Company and Zi Yu Tai under Sale Accounts Receivables A of approximately HK\$79.6 million; and (ii) the aggregate amount owed by Jia Lian International to Tongda Environmental under Sale Accounts Receivables B of approximately HK\$26.4 million. To deal with the aforesaid account receivables, dunning letters have been sent by the Group since 2018 and the Group has entered into litigation procedures to claim certain account receivables. In respect of certain account receivables amounted to approximately HK\$59 million owed by Jia Lian Group to Zi Yu Tai, the management has considered such account receivables are generally not recoverable due to the expiry of limitation period for initiating legal actions against the Jia Lian Group, the time and cost for recovering the remaining account receivables are uncertain, and the loss of control of Jia Lian Group (details of which are set out under the section headed "Reasons for and benefits of the Disposal" above). With regard to certain account receivables amounted to approximately HK\$15.7 million owed by Guangdong AVIC Tianxu Hengyuan Energy Saving Technology Company Limited* (廣東中航天旭恒源節能科技有限公司) ("AVIC Tianxu") to Zi Yu Tai, although the Yuexiu Court issued the notification of acceptance of application of case* (受理申請執行案件通知書) to Zi Yu Tai to commence the enforcement process (details of which are set out under the section headed "(1) Legal disputes involving Zi Yu Tai and AVIC Tianxu" under Appendix III of this circular), as at Latest Practicable Date, saved for the RMB1.31 million which has been received by the Zi Yu Tai as a result of the aforesaid enforcement in September 2023, no repayment have been received by Zi Yu Tai. With respect to the finance leases receivables amounted to approximately HK\$3.6 million, being the arrears of RMB4.2 million excluding the unrealized financing income, owed by AVIC Tianxu to Zi Yu Tai, although the Intermediate People's Court ruled that part of the original judgment be upheld (details of which are set out under the section headed "(1) Legal disputes involving Zi Yu Tai and AVIC Tianxu" under Appendix III of this circular), as at the Latest Practicable Date, no repayment have been received by Zi Yu Tai; and
- (viii) upon completion of the Disposal, the Disclaimer of Opinion will be removed, which enables the Company in fulfilling part of the resumption guidance set by the Stock Exchange.

LETTER FROM THE BOARD

For illustration purposes only, in respect of Jia Lian Group, the LED business segment of Jia Lian Group recorded net asset value of approximately HK\$191 million as at 31 December 2021 and account receivables of approximately HK\$107.2 million as at 31 December 2023, and the Sale Shares A owned by the Company represents 45% of equity interest of Jia Lian International. Assuming the business continues as ordinary and without any substantial change, the value of the Sale Shares A would be approximately HK\$86.0 million, before taking into account any discount factors in relation to lack of control and marketability.

Upon Completion, (i) approximately HK\$68.2 million of loss on disposal in relation to Jia Lian Group, based on the Consideration attributable to Jia Lian International of HK\$27,999,997 minus the estimated related expenses of the Disposal of approximately HK\$1 million and (a) the net assets value of Jia Lian Group of approximately HK\$92 million as at 31 December 2023 (which includes net assets value of Jia Lian Group as at 31 December 2023 with reference to the net assets value of Jia Lian Group as at 30 June 2022 with the then exchange rate) and (b) the accumulated exchange reserve of HK\$3.2 million (deficit); (ii) approximately HK\$63.2 million of loss on disposal in relation to Excellent Top and its subsidiaries, based on the Consideration attributable to Excellent Top of HK\$1 and (a) the net assets value of Excellent Top and its subsidiaries of approximately HK\$19.5 million as at 31 December 2023 (net liabilities value of AVIC Fujian with reference to the net assets value of AVIC Fujian and its subsidiary as at 30 June 2022 with the then exchange rate); (b) non-controlling interests of HK\$77.3 million (debit); and (c) net of accumulated exchange reserve (surplus) of HK\$33.6 million; and (iii) approximately HK\$106.0 million of loss on disposal in relation to amounts due from Disposal Group, based on the Consideration attributable of HK\$2 and the carrying amounts of Sale Accounts receivables as at the Latest Practicable Date, are expected to be recognised to the Group.

The above financial impact is shown for illustrative purpose only and does not purport to represent the financial position of the Group after Completion. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to review by the auditors of the Group. Shareholders should note that the actual financial effect to be recorded by the Company is subject to review and further audit procedures by the Auditors and may be different from the estimation stated herein.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14.58(7) AND 14.68(2)(a)(i) OF THE LISTING RULES

Rule 14.58(7) of the Listing Rules provides that the announcement of very substantial disposal must contain, where applicable, the net profits (both before and after taxation)

LETTER FROM THE BOARD

attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction.

In addition, Rule 14.68(2)(a)(i) of the Listing Rules provides that a circular issued in relation to a very substantial disposal must contain, on a disposal of a business, company or companies, financial information of either (a) the business, company or companies being disposed of; or (b) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (a) discontinuing operation(s), for the relevant period (as defined in the note to Rule 4.06(1)(a) of the Listing Rules). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity. The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any modifications in the review report. Further, Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules provides that the Stock Exchange may be prepared to relax the requirements of Rule 14.68(2)(a)(i) if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.

In respect of Jia Lian Group, since October 2022, the Company has been experiencing difficulties in establishing contact with the other shareholder of Jia Lian International. As at the Latest Practicable Date, despite all reasonable steps have been taken by the management of the Company, including, repeatedly and persistently made verbal and written requests to the financial department of Jia Lian International demanding the provision of accounting books and records for the preparation of the consolidated financial statements of the Group, the Directors have not been able to locate and get access to the books and records of Jia Lian International and the other shareholder of Jia Lian International did not respond to the request for any information from the Group.

In respect of AVIC Fujian and its subsidiary, since 2022, the Group had repeatedly requested two of its subsidiaries, i.e. AVIC Fujian and its subsidiary for the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022 but in vain. Therefore, on 20 September 2023, the Group filed a lawsuit with the Fuzhou Gulou District People's Court in Fujian Province to request AVIC Fujian and its subsidiary to provide its accounting books and records. On 26 December 2023, the Fuzhou Gulou District People's Court has issued a judgment to order AVIC Fujian and its subsidiary to provide its accounting books and records to the Group within 20 days after the effective date of judgment. AVIC Fujian filed the appeal in March 2024 to the Intermediate People Court to set aside the judgment. On 10 April 2024, the Intermediate People Court dismissed the appeal and the original judgment was upheld. The Group is in the progress in enforcing court judgments to obtain the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022.

LETTER FROM THE BOARD

Further details please refer to the section headed “REASONS FOR AND BENEFITS OF THE DISPOSAL”. Up to the Latest Practicable Date and for reasons as mentioned above, the accounting books and records in respect of Jia Lian International, AVIC Fujian and its respective subsidiaries are not available to the Group. As at the Latest Practicable Date, the Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with Rule 14.58(7) and Rule 14.68(2)(a)(i) of the Listing Rules.

EGM

The EGM will be convened by the Company to seek the approval from the Shareholders for the Sale and Purchase Agreement and the transactions contemplated thereunder by way of poll. None of the Directors have any material interest in the Sale and Purchase Agreement for which they would be required to abstain from voting at the board resolutions. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholder will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the Sale and Purchase Agreement as set out in the notice of the EGM.

A notice convening the EGM to be held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Monday, 19 August 2024 at 11:00 a.m. or immediately after the conclusion of the 2024 annual general meeting of the Company to be held on the same day at 10:30 a.m. (whichever is later) is set out on pages 48 to 50 of this circular. An ordinary resolution will be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions and matters contemplated thereunder. The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are not able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable and such is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
AVIC Joy Holdings (HK) Limited
CHANG Chien
Chairman and Executive Director

* *For identification purpose only*

1. FINANCIAL INFORMATION

The financial information of the Company for each of the three years ended 31 December 2021, 2022 and 2023, together with the relevant notes thereof are disclosed in the following documents:

- (i) the annual report of the Company for the year ended 31 December 2021 (pages 50 to 127), which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042902795.pdf>;
- (ii) the annual report of the Company for the year ended 31 December 2022 (pages 51 to 125), which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0628/2024062802003.pdf>; and
- (iii) the annual report of the Company for the year ended 31 December 2023 (pages 47 to 123), which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0628/2024062802135.pdf>.

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group's indebtedness includes:

	<i>HK\$'000</i>
Unsecured and guaranteed:	
Bank borrowings	146,575
Unsecured and unguaranteed:	
Other borrowings	25,047
Loans from related companies	805,511
Loans from joint ventures	13,859
Loans from non-controlling shareholders	32,343
Lease liabilities	921
	<u>877,681</u>
Total	<u><u>1,024,256</u></u>

The unsecured and guaranteed bank borrowings represent loans which are guaranteed by corporate guarantees of certain subsidiaries of the Company and corporate guarantees of two independent third parties.

The Directors confirm that as at 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, save as disclosed above, the Group did not have any issued and outstanding, or authorised or otherwise created but unissued debt securities, term loans, other borrowings, indebtedness, mortgages and charges, contingent liabilities and guarantees.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirm since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date, there had been no material changes in the financial or trading position of the Group.

5. FUTURE PLANS AND PROSPECTS OF THE REMAINING GROUP

The Company is an investment holding company. As at the Latest Practicable Date, the Board has no plan to change the principal business of the Group. Immediately after the Disposal, it is expected that the Remaining Group would carry on the management and operation of LED energy management contracts, supply and installation service for LED products; provision of finance lease and loan services and property investment; trading of gas and petroleum products and provision of land development services in the PRC.

To enhance the development of the Remaining Group, the Remaining Group will proactively explore new business opportunities for corporate development and dedicate to develop sustainable current business so as to enhance its financial performance and create value for the shareholders of the Company.

In respect of the LED business of the Remaining Group, according to the Semiconductor Lighting Industry 13th Five Year Development Plan* (半導體照明產業「十三五」發展規劃) announced by the PRC government, semiconductor lighting is only the first successful application of the third generation of semiconductor materials, by 2025, the PRC will strive to achieve the third generation of semiconductor technology in the world's leading position, and the industrial scale will reach the first in the world. By 2030, the whole industrial chain will reach the international advanced level and the domestic production rate of core devices will exceed 70%.

Having considered the growth potential of LED business in the PRC markets as mentioned above, on 26 September 2023, Zi Yu Tai acquired 60% of the issued share capital of Zhongshan Holcim Photoelectric Technology Co., Ltd.* (中山霍爾希姆光電科技有限公司) (“**Zhongshan Holcim**”), pursuant to which Zhongshan Holcim provides integrated LED lighting solution services, which primarily include LED lighting system design, designing and provision of LED lighting fixtures, on-site project management and after-delivery maintenance and enhancement services in four business sections, namely (i) health lighting and professional lighting; (ii) indoor and outdoor lighting engineering of buildings; (iii) night tour cultural tourism lighting engineering; and (iv) smart city and street light engineering. Such acquisition has expanded the Remaining Group’s presence in the LED market in the PRC. With the above PRC government’s development plan, the Remaining Group is set to expand rapidly in the coming years and the Group’s LED business is expected to achieve favourable growth. As at the Latest Practicable Date, the Group has entered into a total of 21 contracts with a total contract sum of not less than HK\$115 million. The Remaining Group will also continue a proactive and prudent investment approach to drive business growth on all business segments.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Remaining Group will continue to carry out its existing principal businesses following the Completion. Set out below are the management discussion and analysis of the Remaining Group for the years ended 31 December 2021, 2022 and 2023. For the purpose of this circular, the financial data in respect of the Remaining Group, is derived from the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2021, 2022 and 2023, respectively.

For the year ended 31 December 2021

Financial resources

As at 31 December 2021, the Group’s total debts (including trade payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,307.5 million. Cash and bank balances amounted to approximately HK\$28.8 million. Net debt amounted to approximately HK\$1,278.7 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\$743.9 million, was 171.9%. During the year ended 31 December 2021, the Group was not materially exposed to foreign currency risk.

Material acquisition and disposal of subsidiaries, associates and joint ventures and significant investment

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the year ended 31 December 2021.

*Operational review**(1) Finance Lease and Loan Service and Property Investment Business*

During the Year, due to resurgence of COVID-19 in both Hong Kong and the PRC, continued travel restrictions were imposed by the governments, a few discussions of new projects, which were in advanced form, are yet to be finalised and enter into final contracts. The total revenue recorded for the year ended 31 December 2021 decreased to approximately HK\$3.2 million, representing a decrease of approximately 45.8%. The Group has disposed all of its commercial properties in last year, and the Group no longer holds any investment properties since then.

(2) PPP Class 1 Land Development Business

During the year ended 31 December 2021, no revenue was recorded in the Group's business in the PPP Class 1 land Central New Coastal City* (中部濱海新城) and the construction of Ronggang Avenue* (融港大道) at Fuqing City, Fujian Province. During the year ended 31 December 2021, the loss of this segment decreased to approximately HK\$18.6 million, mainly due to no impairment provided for intangible assets during the year ended 31 December 2021.

(3) LED EMC Business

The Group operates LED EMC business through its investment in a joint venture in previous years. During the year ended 31 December 2021, the Group also established a new subsidiary to carry on the LED EMC business. However, the business is still in initial stage and no revenue was recorded so far.

Staff Benefits

As at 31 December 2021, the Group had a total of 29 employees. The staff costs for the year ended 31 December 2021 amounted to approximately HK\$8.6 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 ended 31 December 2021.

For the year ended 31 December 2022

Financial resources

As at 31 December 2022, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,316.6 million. Cash and bank balances amounted to approximately HK\$27.7 million. Net debt amounted to approximately HK\$1,288.9 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\$691.4 million, was 186.4%. During the Year, the Group was not materially exposed to foreign currency risk.

Material acquisition and disposal of subsidiaries, associates and joint ventures and significant investment

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the year ended 31 December 2022.

Operational review

(1) LED Business

During the year ended 31 December 2022, the Group also established a new subsidiary to carry on the LED Business. However, the business is still in initial stage and no revenue was recorded so far.

(2) Finance Lease and Loan Service and Property Investment Business

During the year ended 31 December 2022, the revenue recorded from finance lease business decreased to approximately HK\$3.1 million, representing a decrease of approximately 3%.

(3) PPP Class 1 Land Development Business

During the year ended 31 December 2022, no revenue was recorded in the Group's business in the project in relation to the PPP Class 1 land development.

During the year ended 31 December 2022, the loss of this segment decreased to approximately HK\$6.7 million, mainly due to decrease in interest on bank loans.

(4) Gas and Petroleum Products Business

During the year ended 31 December 2022, the total revenue recorded was HK\$150 million.

Staff Benefits

As at 31 December 2022, the Group had a total of 24 employees. The staff costs for the year ended 31 December 2022 amounted to approximately HK\$7.8 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 ended 31 December 2022.

For the year ended 31 December 2023

Financial resources

As at 31 December 2023, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,346.7 million. Cash and bank balances amounted to approximately HK\$20.7 million. Net debt amounted to approximately HK\$1,326 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\$672.6 million, was 197.1%. During the Year, the Group was not materially exposed to foreign currency risk.

Material acquisition and disposal of subsidiaries, associates and joint ventures and significant investment

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the year ended 31 December 2023.

Operational review

(1) Finance Lease and Loan Services and Property Investment Business

During the year ended 31 December 2023, the revenue recorded from finance lease business decreased to approximately HK\$2.9 million representing a decrease of approximately 6%.

(2) *PPP Class 1 Land Development Business*

During the year ended 31 December 2023, no revenue was recorded in the Group's business in the Land Development.

(3) *LED EMC Business*

The Group mainly operates LED EMC business through its investment in a joint venture. During the year ended 31 December 2023, no revenue was recorded in the Group in LED EMC Business.

(4) *Gas and Petroleum Products Business*

During the year ended 31 December 2023, no revenue was recorded in the Group's business, which is mainly due to the decrease in Gas and Petroleum Products Business.

(5) *Supply and installation services for LED products*

During the year ended 31 December 2023, the Group also has a new subsidiary to carry on the supply and installation services for LED products business. The business just started and HK\$530,000 revenue was recorded at the year ended.

Staff Benefits

As at 31 December 2023, the Group had a total of 22 employees. The staff costs for the year ended 31 December 2023 amounted to approximately HK\$4.1 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 ended 31 December 2023.

* *For identification purpose only*

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the Disposal might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and statement of cash flows of the Remaining Group for the year ended 31 December 2023 are prepared based on the audited consolidated statement of profit or loss and statement of cash flows of the Group for the year ended 31 December 2023 as extracted from the annual report of the Company for the year ended 31 December 2023 as if the Disposal had been completed on 1 January 2023.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2023 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the annual report of the Company for the year ended 31 December 2023 as if the Disposal had been completed on 31 December 2023.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE REMAINING GROUP**

At 31 December 2023

	The Group	Pro forma adjustments			The
	At	for the disposal			Remaining
	31 December	HK\$'000	HK\$'000	HK\$'000	Group
	2023	HK\$'000	HK\$'000	HK\$'000	At
	<i>Note 1(i)</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	31 December
					2023
					<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	196	(84)			112
Right-of-use assets	1,561				1,561
Investments in joint ventures	91,966	(91,966)			–
Prepayments and deposits	163				163
Finance lease receivables	4,834				4,834
	98,720				6,670
Current assets					
Contract costs	290,065	(290,065)			–
Trade receivables	18,771	(18,050)			721
Prepayments, deposits and other receivables	13,859	(12,787)			1,072
Finance lease receivables	8,781				8,781
Promissory note receivable	62,300	(62,300)			–
Amount due from joint ventures	105,584	(105,584)			–
Bank and cash balances	20,657	(119)	28,000	(1,000)	47,538
	520,017				58,112

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group	Pro forma adjustments			The
	At				Remaining
	31 December	for the disposal			Group
	2023				At
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	31 December
	<i>Note 1(i)</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	2023
					<i>HK\$'000</i>
Current liabilities					
Trade payables	(7,734)	7,241			(493)
Other payables and accruals	(298,889)	30,967			(267,922)
Lease liabilities	(1,632)				(1,632)
Bank and other borrowings	(175,184)	150,137			(25,047)
Loans from related companies	(816,573)	141,615			(674,958)
Loans from joint ventures	(14,196)				(14,196)
Loans from non-controlling shareholders	(32,343)	32,343			–
Tax payables	(2,445)				(2,445)
	<u>(1,348,996)</u>				<u>(986,693)</u>
Net current (liabilities)/assets	<u>(828,979)</u>				<u>(928,581)</u>
Total assets less current liabilities	<u>(730,259)</u>				<u>(921,911)</u>
Non-current liabilities					
Lease liabilities	(103)				(103)
Deferred tax liabilities	(232)				(232)
	<u>(335)</u>				<u>(335)</u>
	<u>(730,594)</u>				<u>(922,246)</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group At 31 December 2023	Pro forma adjustments for the disposal			The Remaining Group At 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1(i)</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	
Capital and reserves					
Share capital	(2,234,815)				(2,234,815)
Reserves:					
Accumulated losses	3,524,407		237,554	1,000	3,762,961
Others	(636,207)		30,407		(605,800)
	<u> </u>		<u> </u>		<u> </u>
Equity attributable to owners of the Company	653,385				922,346
Non-controlling interests	77,209		(77,309)		(100)
	<u> </u>		<u> </u>		<u> </u>
	<u>730,594</u>				<u>922,246</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF
THE REMAINING GROUP**

For the year ended 31 December 2023

	The Group for the year ended 31 December 2023	Pro forma adjustments for the Disposal			The Remaining Group for the year ended 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1(ii)</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	
Revenue	3,398				3,398
Cost of sales	(442)				(442)
Gross profit	2,956				2,956
Other income, gains and losses	2,190			(1,914)	276
Administrative expenses	(14,625)			50	(14,575)
Share of profits of joint ventures	–				–
Finance costs	(39,108)				(39,108)
Loss on disposal of Sale Shares A, Sale Shares B and Sale Accounts Receivables	–	(1,000)	(240,805)		(241,805)
Loss before tax	(48,587)				(292,256)
Income tax expense	(3)				(3)
Loss for the year	(48,590)				(292,259)
(Loss)/profit for the year attributable to:					
Owners of the Company	(49,386)	(1,000)	(240,805)	(1,864)	(293,055)
Non-controlling interests	796				796
	(48,590)				(292,259)

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
REMAINING GROUP**

For the year ended 31 December 2023

	The Group for the year ended 31 December 2023	Pro forma adjustments for the Disposal			The Remaining Group for the year ended 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1(ii)</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 7</i>	
OPERATING ACTIVITIES					
Loss before tax	(48,587)	(1,000)	(240,805)	(1,864)	(292,256)
Adjustments for:					
Loss on disposal of joint ventures, subsidiaries and receivables	–	1,000	240,805		241,805
Finance costs	39,108				39,108
Interest income	(2,080)			1,914	(166)
Depreciation of right of use assets	1,558				1,558
Depreciation of property, plant and equipment	65				65
Gain on bargain purchases on acquisition of a subsidiary	(78)				(78)
Operating cash flows before movements in working capital	(10,014)				(9,964)
Increase in prepayments, deposits and other receivables	(770)				(770)
Increase in trade receivables	(591)				(591)
Decrease in finance lease receivables	3,526				3,526
Decrease in amount due from joint ventures	880				880
Increase in trade payables	493				493
Decrease in other payables and accruals	(582)				(582)
Cash used in operations	(7,058)				(7,008)
Income taxes paid	(2)				(2)
Net cash used in operating activities	(7,060)				(7,010)

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group for the year ended 31 December 2023	Pro forma adjustments for the Disposal			The Remaining Group for the year ended 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1(ii)</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 7</i>	
INVESTING ACTIVITIES					
Interest received	166				166
Advance to Excellent Top and its subsidiaries	–			(50)	(50)
Net cash inflow from disposal of joint ventures, subsidiaries and receivables	–		26,880		26,880
Net cash generated from investing activities	166				26,996
FINANCING ACTIVITIES					
Interest paid on lease liabilities	(216)				(216)
Repayment of lease liabilities	(1,563)				(1,563)
Advance of loans from related companies	4,352				4,352
Repayment of advance of loans from joint ventures	(2,000)				(2,000)
Net cash generated from financing activities	573				573

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	The Group for the year ended 31 December 2023	Pro forma adjustments for the Disposal			The Remaining Group for the year ended 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1(ii)</i>	<i>Note 4</i>	<i>Note 5</i>	<i>Note 7</i>	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,321)				20,559
Cash and cash equivalents at 1 January	27,652				27,652
Effect of foreign exchange rate changes	<u>(674)</u>				<u>(674)</u>
 CASH AND CASH EQUIVALENTS AT 31 DECEMBER	 <u><u>20,657</u></u>				 <u><u>47,537</u></u>
 Representing by:					
Bank and cash balances	<u><u>20,657</u></u>		<u><u>26,880</u></u>		<u><u>47,537</u></u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

- (1) (i) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023 as set out in the published 2023 annual report of the Company.
- (ii) The amounts are extracted from the audited consolidated statement of profit or loss, and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 as set out in the published 2023 annual report of the Company.
- (2) The adjustment represents the exclusion of the carrying amount of the (i) investments in joint ventures (Sale Shares A); (ii) net assets of Excellent Top and its subsidiaries (Sale Shares B); and (iii) amount due from joint ventures (Sale Accounts Receivables) as at 31 December 2023 as if the Disposal had been completed on 31 December 2023 as follow:

	Sale Share A	Sale Share B	Sale Accounts Receivables	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	–	84	–	84
Investments in joint ventures	91,966	–	–	91,966
Contract costs	–	290,065	–	290,065
Trade receivables	–	18,050	–	18,050
Prepayments, deposits and other receivables	–	12,787	–	12,787
Promissory note receivable	–	62,300	–	62,300
Amount due from joint ventures	–	(1,644)	107,228	105,584
Bank and cash balances	–	119	–	119
Trade payables	–	(7,241)	–	(7,241)
Other payables and accruals	–	(30,967)	–	(30,967)
Bank and other borrowings	–	(150,137)	–	(150,137)
Loans from related companies	–	(141,615)	–	(141,615)
Loans from non-controlling shareholders	–	(32,343)	–	(32,343)
	91,966	19,458	107,228	218,652
Net assets disposed	91,966	19,458	107,228	218,652

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

- (3) Assuming the disposal had been completed on 31 December 2023, the adjustment represents the settlement of Consideration of HK\$28,000,000 by cash and recognised the loss on disposal which calculated as follows:

Loss on Disposal:	Sale Share A	Sale Share B	Sale Accounts Receivables	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of net assets disposed of Sale Shares A, Sale Shares B and Sale Accounts Receivables (<i>note 2</i>)	91,966	19,458	107,228	218,652
Add: Non-controlling interests	–	77,309	–	77,309
Add: Cumulative exchange differences on translation of foreign operations reclassified from equity to profit or loss upon Disposal	3,187	(33,594)	–	(30,407)
	<u>95,153</u>	<u>63,173</u>	<u>107,228</u>	265,554
Less: Consideration				<u>28,000</u>
Estimated pro forma loss on Disposal as if the Disposal had been completed on 31 December 2023				<u>(237,554)</u>

- (4) The estimated related expenses of the Disposal of approximately HK\$1,000,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (5) Assuming the disposal had been completed on 1 January 2023, the adjustment represents the settlement of Consideration of HK\$28,000,000 by cash, and recognised the loss on disposal which calculated as follows:.

Loss on Disposal:	Sale Share A	Sale Share B	Sale Accounts Receivables	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of Sale Shares A, Sale Shares B and Sale Accounts Receivables as at 1 January 2023	94,718	17,542	110,492	222,752
Add: Non-controlling interests	–	78,640	–	78,640
Add: Cumulative exchange differences on translation of foreign operations reclassified from equity to profit or loss upon disposal	436	(33,023)	–	(32,587)
	<u>95,154</u>	<u>63,159</u>	<u>110,492</u>	268,805
Less: Consideration				<u>28,000</u>
Estimated pro forma loss on Disposal as if the Disposal had been completed on 1 January 2023				<u>(240,805)</u>
The net cash inflow arising from Disposal:				<i>HK\$'000</i>
Consideration				28,000
Net cash disposal of the Excellent Top and its subsidiaries				(120)
Estimated expenses of the Disposal				<u>(1,000)</u>
				<u>26,880</u>

- (6) The adjustment represents the exclusion of the operating results of the Excellent Top and its subsidiaries for the year ended 31 December 2023 as if the Disposal had been completed on 1 January 2023.
- (7) The adjustment represents the exclusion of the cash flows of the Excellent Top and its subsidiaries for the year ended 31 December 2023 as if the Disposal had been completed on 1 January 2023.
- (8) The above adjustments are not expected to have a continuing effect on the consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows of the Remaining Group.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited

Certified Public Accountants

31 July 2024

The Board of Directors

AVIC Joy Holdings (HK) Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of AVIC Joy Holdings (HK) Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 December 2023, the unaudited pro forma statement of profit or loss for the year ended 31 December 2023, the unaudited pro forma statement of cash flow for the year ended 31 December 2023 and related notes as set out on pages 29 to 38 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on page 28.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the (i) Sale Shares A; (ii) Sale Shares B; and (iii) Sale Accounts Receivables on the Group’s financial position as at 31 December 2023 as if the transaction had been taken place at 31 December 2023, and on the Group’s financial performance and cash flows for the year ended 31 December 2023 as if the transaction had been taken place at 1 January 2023. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2023, on which an audit report has been published.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2023 and 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at Latest Practicable Date, none of the Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or the associated corporations of the Company, within the meaning of Part XV of the SFO which were required: (a) to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had or is deemed to have an interest and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued Shares^(b)
Sincere View International Limited (“ Sincere View ”) ^(a)	Long	Beneficial owner	1,596,428,891	26.86%
Hon Kwok Lung (“ Mr. Hon ”) ^(a)	Long	Interest of controlled corporation	1,596,428,891	26.86%
Lam Suk Ying (“ Ms. Lam ”) ^(a)	Long	Interest of spouse	1,596,428,891	26.86%

Notes:

- (a) Mr. Hon holds 80% interests and his wife, Ms. Lam holds 20% interests in Sincere View, which is a substantial shareholder of the Company holding 1,596,428,891 shares of the Company. Mr. Hon and Ms. Lam are deemed to have an interest in the same parcel of 1,596,428,891 shares of the Company.
- (b) The total number of issued Shares as at the Latest Practicable Date was 5,943,745,741.

Save as disclosed above, as at Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant to the business of the Group.

DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, no Director has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of business) has been entered into by the members of the Group within two (2) years immediately preceding the date of this circular and are or may be material:

- (i) the Sale and Purchase Agreement entered into between the Company, Tongda Environmental and the Purchaser on 28 May 2024.

Saved as above, there is no contract (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the date of this circular, and are or may be material.

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified public accountants

The above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2023), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

LITIGATION

Reference are made to (i) the announcements of the Company dated 7 September 2022, 9 September 2022, 19 September 2022, 17 November 2022 and 28 November 2022, respectively, in relation to, among others, the decision of the Listing Committee to suspend trading in the shares of the Company; (ii) the announcements of the Company dated 5 December 2022 and 4 April 2023, respectively, in relation to, among others, the Resumption Guidance; (iii) the announcement of the Company dated 24 February 2023 in relation to the development regarding the LED Business; (iv) the Quarterly Update Announcements; and (v) the announcements of the Company dated 29 March 2023, 14 April 2023, 10 October 2023 and 8 April 2024, respectively, in relation to, among others, the delay in publication of the annual results of the Group for the years ended 31 December 2022 and 2023, respectively (collectively, the “**Announcements**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

(1) Legal disputes involving Zi Yu Tai and AVIC Tianxu

As stated in the Quarterly Update Announcements, on 31 March 2023, AVIC Tianxu filed an appeal to the Intermediate People's Court of Guangzhou City, Guangzhou Province* (廣東省廣州市中級人民法院) (the “**Intermediate People's Court**”), pursuant to which AVIC Tianxu requested the Intermediate People's Court to (i) revoke the March Judgment and reject the counterclaim of Zi Yu Tai; and (ii) order Zi Yu Tai to bear the litigation costs of the first and second instance.

In respect of the arrears of RMB15,620,000, the Intermediate People's Court dismissed the appeal on 29 June 2023 and the original judgment was upheld. On 11 July 2023, the Yuexiu Court issued the notification of acceptance of application of case* (受理申請執行案件通知書) to Zi Yu Tai to commence the enforcement process.

In respect of the arrears of RMB4,200,000, the Intermediate People's Court ruled that part of the original judgment be upheld, in particular, AVIC Tianxu shall repay Zi Yu Tai for the arrears of RMB4,200,000 and the liquidated damages for the period from 28 April 2020 to the date of actual repayment of default, which shall be calculated on the basis of 30% above the prevailing loan prime rate (貸款市場報價利率) announced by the National Interbank Funding Centre (全國銀行間同業拆借中心) and the total sum of which shall not exceed RMB4,200,000.

As at the Latest Practicable Date, the legal procedures are still undergoing and the final assessment on profit or loss are unable to be determined or calculated at current stage. The Group is taking actions proactively to enforce the judgments against AVIC Tianxu. The Company will make further announcement(s) in relation to the litigation proceeding as and when appropriate.

(2) Legal dispute involving Tongda and Jia Lian

On 26 October 2022, Tongda, a direct wholly-owned subsidiary of the Company, issued a writ of summons in the High Court claiming against Jia Lian, a joint venture of the Group, for breach of a loan agreement dated 30 September 2015. Please refer to the Voluntary Announcement and the Quarterly Update Announcements for further details.

As at the Latest Practicable Date, the legal proceeding is still in progress. The Company will make further announcement(s) in relation to the litigation proceeding as and when appropriate.

(3) Legal dispute involving Jia Lian and the Company

On 14 February 2023, the Company received a writ of summons dated 10 February 2023 in High Court issued by Jia Lian as plaintiff for alleged breach of a loan agreement dated 13 October 2016. Please refer to the Quarterly Update Announcements and the Voluntary Announcement for further details.

As at the Latest Practicable Date, the legal proceeding is still in progress. The Company will closely monitor the development of the legal proceeding and issue further announcement(s) to inform its Shareholders as soon as reasonably practicable.

Saved as disclosed above, no member of the Group was engaged in any litigation, arbitration or claim which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any members of the Group as at the Latest Practicable Date.

GENERAL

- (a) The registered office and the principal place of business of the Company is situated at Unit 1905A, Level 19, International Commerce Centre, 1 Austin Road, West Kowloon, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Leung Siu Kuen, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published (i) on the website of the Company (<http://www.avicjoyhk.com>); and (ii) on the website of the Stock Exchange (<https://www.hkexnews.hk/index.htm>) between the period of not less than 14 days from the date of this circular up to and including the date of the EGM:

- (a) the Sale and Purchase Agreement;
- (b) the Extension Letter;
- (c) the consent letter referred to in the paragraph under the heading “Expert and Consent” in this Appendix to this circular;
- (d) the annual reports of the Company for the financial years ended 31 December 2021, 2022 and 2023; and
- (e) the report from ZHONGHUI ANDA CPA Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular.

* *For identification purpose only*

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of AVIC Joy Holdings (HK) Limited (the “**Company**”) will be held at Units 5906–5912, 59/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Monday, 19 August 2024 at 11:00 a.m. or immediately after the conclusion of the 2024 annual general meeting of the Company to be held on the same day at 10:30 a.m. (whichever is later) (the “**EGM**”) for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution of the Company. Capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 31 July 2024, unless the context otherwise requires:

ORDINARY RESOLUTION

“**THAT** the Sale and Purchase agreement (as defined in the circular of the Company dated 31 July 2024 of which this notice forms part (the “**Circular**”)) (a copy of which has been produced to the EGM and marked as “A” and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement and/or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith.”

Yours faithfully,

For and on behalf of the Board
AVIC Joy Holdings (HK) Limited
CHANG Chien

Chairman and Executive Director

Hong Kong, 31 July 2024

NOTICE OF EGM

Registered Office:

Unit 1905A, Level 19
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Notes:

1. In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 14 August 2024 to Monday, 19 August 2024 (both days inclusive), during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 August 2024.
2. A member entitled to attend and vote at the EGM convened by the above notice (or at any adjournment thereof) is entitled to appoint a proxy to attend and vote on his/her behalf at the meeting. A proxy need not be a member of the Company.
3. To be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and together with a power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the appointed time for the holding of the EGM or any adjournment thereof (as the case may be).
4. Completion and delivery of the form of proxy shall not preclude any shareholder of the Company ("**Shareholder(s)**") from attending and voting in person at the EGM convened or any adjournment thereof (as the case may be), if the Shareholders so desires and in such event, the form of proxy shall be deemed to be revoked.
5. In case of joint registered holders of any share(s) of the Company ("**Shares**"), any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders shall be present at the meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The above resolution will be put to vote by way of a poll at the EGM.
7. If a tropical cyclone warning signal No. 8 or above is hoisted, "extreme conditions" caused by super typhoons or a "black" rainstorm warning signal is in force in Hong Kong at any time after 7:00 a.m. on the date of the EGM, the EGM will be automatically adjourned in accordance with the articles of association of the Company. The Company will post an announcement on the websites of the Company at www.avicjoyhk.com and The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify Shareholders of the date, time and place of the adjourned meeting, respectively.

NOTICE OF EGM

As at the date of this notice, the board of Directors comprises:

Executive Directors

Mr. Chang Chien (*Chairman*), Mr. Lam Toi Man and Mr. Zhu Chengye

Independent Non-Executive Directors

Mr. To Chun Kei, Mr. Lok Tze Bong and Mr. Cheung Ting Pong