THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **AVIC Joy Holdings (HK) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

PROPOSED MANDATE IN RELATION TO THE POSSIBLE VERY SUBSTANTIAL DISPOSAL AND NOTICE OF GM

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the GM to be held at Unit 1804A, 18/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong, on Tuesday, 31 December 2019 at 9:30 a.m. is set out on pages GM-1 to GM-2 of this circular. A form of proxy for use at the GM is enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. Whether or not you propose to attend the meeting, you are requested to read the notice of GM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the GM should you so wish.

12 December 2019

CONTENTS

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

"Board"	the board of Directors;
"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which banks are open in the PRC for general commercial business;
"BVI"	the British Virgin Islands;
"Company"	AVIC Joy Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Proposed Disposal;
"Director(s)"	the director(s) of the Company;
"Fidelity Finance Leasing"	Fidelity Finance Leasing Limited (信誠融資租賃有限公司), a company incorporated in the BVI with limited liability, which is owned as to 100% by Sino Gas Finance;
"GM"	the general meeting of the Company to be convened and held on 31 December 2019 for the purpose of considering and, if thought fit, approving the Proposed Disposal and the transactions contemplated thereunder and granting the Proposed Mandate to the Directors;
"Group"	the Company and its subsidiaries;
"Guangdong Ziyutai"	Guangdong Ziyutai Financial Leasing Co., Ltd.* (廣東資雨泰融資租賃有限公司), a company established in the PRC with limited liability and the equity interest of which is owned as to 100% by Fidelity Finance Leasing;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Independent Third Party"	a third party independent of the Company and its connected persons (as defined in the Listing Rules);
"Latest Practicable Date"	6 December 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"PRC"	the People's Republic of China;
"Properties"	the investment properties and car parking spaces held by Shanghai Shangju Group;
"Proposed Disposal"	the proposed public tender for disposal of the Sale Equity through SUAEE (or such other equity exchange as subsequently determined by the Board);
"Proposed Mandate"	the general mandate to be granted in advance to the Directors to enter into and complete the Proposed Disposal by the Shareholders at the GM;
"Remaining Group"	the Group, excluding Shanghai Shangju Group;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Equity"	the 100% equity interest in Shanghai Shangju;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shanghai Shangju"	Shanghai Shangju Enterprise Co., Ltd.* (上海商聚實業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"Shanghai Shangju Group"	Shanghai Shangju and its subsidiary;
"Shanghai Yunsheng"	Shanghai Yunsheng International Trading Co., Ltd.* (上海匀盛國際貿易有限公司), a company established in the PRC with limited liability and the equity interest of which is owned as to 100% by Shanghai Shangju;
"Share(s)"	ordinary share(s) in the issued share capital of the Company;
"Shareholder(s)"	registered holder(s) of the Share(s);
"Shareholder's Loan"	the outstanding net shareholder's loans owed by Shanghai Shangju Group to the Group as at 30 June 2019;
"Sino Gas Finance"	Sino Gas Finance Limited (中油潔能財務有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"SUAEE"	Shanghai United Assets and Equity Exchange Co., Ltd. (上海聯合產權交易所有限公司), a comprehensive equity exchange service institution with enterprise legal person qualification approved by the Shanghai People's Government, as well as an institution designated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC to engage in the transfer of state-owned equities of central enterprises;
"USD"	United States dollar(s), the lawful currency of the United States; and
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate at RMB1.00 = HK$1.10 has been used, where applicable, for the purpose of illustration only and shall not constitute a representation that any amounts have been, could have been or may be exchanged.

* *For identification purpose only*

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. GUAN Liqun *(Chairman and Chief Executive Officer)*
Mr. ZHANG Zhibiao
Ms. WANG Ying
Ms. MU Yan

Independent non-executive Directors:
Mr. JIANG Ping
Ms. WU Rui
Mr. GUO Wei

Registered office and principal place of business:
Room A02, 35/F.
United Centre
95 Queensway
Hong Kong

12 December 2019

To the Shareholders

Dear Sir/Madam,

PROPOSED MANDATE IN RELATION TO THE POSSIBLE VERY SUBSTANTIAL DISPOSAL AND NOTICE OF GM

INTRODUCTION

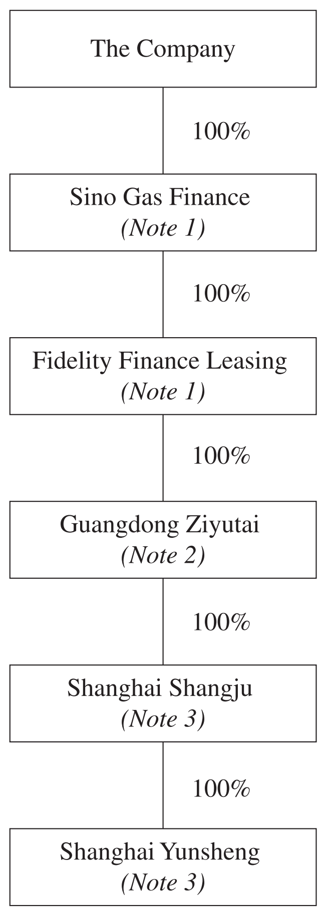
Reference is made to the announcement of the Company dated 14 November 2019 in relation to the Proposed Disposal.

On 14 November 2019, the Board resolved to dispose of the Sale Equity, representing 100% equity interest in Shanghai Shangju, by way of a public tender through an equity exchange. It is currently proposed that the Company will conduct the Proposed Disposal through SUAEE.

The purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Disposal and the Proposed Mandate; (ii) financial information of Shanghai Shangju Group; (iii) pro forma financial information of the Remaining Group; (iv) valuation report of the Properties; and (v) a notice convening the GM together with the form of proxy and other information as required under the Listing Rules.

THE PROPOSED DISPOSAL

Shanghai Shangju holds the entire equity interest in Shanghai Yunsheng. The following diagram illustrates the shareholding structure of Shanghai Shangju Group as at the Latest Practicable Date:



Notes:

1. Both Sino Gas Finance and Fidelity Finance Leasing are investment holding companies.

2. Guangdong Ziyutai is principally engaged in the business of finance leasing, providing finance lease services to sizable corporate clients in the PRC.

3. Shanghai Shangju and Shanghai Yunsheng are the subject of the Proposed Disposal.

I. Shanghai Shangju

Shanghai Shangju was established in the PRC on 30 September 2004. As at the Latest Practicable Date, Shanghai Shangju did not carry on any material business operations except for the holding and leasing of several investment properties and car parking spaces in Shanghai, the PRC. Shanghai Shangju is also the sole shareholder of Shanghai Yunsheng.

II. Shanghai Yunsheng

Shanghai Yunsheng was established in the PRC on 29 January 2010. As at the Latest Practicable Date, Shanghai Yunsheng did not carry on any material business operations except for the holding of several investment properties and car parking spaces in Shanghai, the PRC.

III. Properties held by Shanghai Shangju Group

The assets of Shanghai Shangju Group mainly comprise investment properties and car parking spaces located in two separate locations in Shanghai, the PRC, details of which are as follows:

Location		Construction gross floor area (excluding car parking spaces)	Permitted use	Registered owner
International Shipping Service Center				
1	Levels 1 and 2, Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai (with 38 car parking spaces)	4,283.93 square metres	Office/ commercial	Shanghai Yunsheng
2	Levels 3 to 10, Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai (with 107 car parking spaces)	11,674.09 square metres	Office	Shanghai Shangju
Xinhua Jia Li Building				
3	Rooms 101, 102 and 106, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai	946.76 square metres	Commercial	Shanghai Shangju
4	Rooms 103 to 105, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai	269.05 square metres	Shops	Shanghai Shangju
5	Rooms 201 to 208, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai	1,093.66 square metres	Commercial	Shanghai Yunsheng

Room 103, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai was rented to an Independent Third Party for a monthly rental income of RMB15,000 from 1 April 2017 to 31 October 2020.

Rooms 101–102 and 104–106, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai were rented to an Independent Third Party for a monthly rental income of RMB94,061 from 1 January 2016 to 31 October 2020.

Save as disclosed above, other properties are not rented out and remain vacant.

IV. Financial information of Shanghai Shangju Group

Extracted from Appendix II to this circular, set out below is the unaudited consolidated financial information of Shanghai Shangju Group for the six months ended 30 June 2019 and each of the two years ended 31 December 2018 prepared according to the Hong Kong Financial Reporting Standards:

	For the six months ended 30 June	For the year ended 31 December	
	2019	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	39,706	329,258	103,779
Loss after tax	39,706	329,258	103,779

The unaudited consolidated total liabilities of Shanghai Shangju Group as at 31 December 2018 were approximately HK$1,927.2 million, including the bank loan mortgage for investment properties in the amount of around RMB1,041.0 million and the shareholder's loan in the net amount of around RMB574.6 million.

The unaudited consolidated total assets and net liabilities of Shanghai Shangju Group as at 30 June 2019 were approximately HK$1,769.9 million and HK$172.1 million, respectively.

The appraised value of the Properties as at 30 September 2019 was approximately RMB1,360.0 million based on a valuation report prepared by an independent professional valuer, Roma Appraisals Limited, using the direct market comparison approach.

After Completion, Shanghai Shangju will cease to be a subsidiary of the Company and the financial results of Shanghai Shangju Group will no longer be consolidated into the financial statements of the Group.

V. Major terms of the Proposed Disposal

Qualifications of potential bidders

The potential bidders shall satisfy, amongst others, the following qualifications:

1. the potential transferee shall be financially sound and solvent;
2. the potential transferee shall have good business credibility;
3. the potential transferee shall be an Independent Third Party;
4. if the potential transferee is a natural person, he/she shall have full civil capacity; and
5. other qualifications stipulated under the laws and regulations of the PRC.

The Company will not entertain or accept a tender from any person that is not an Independent Third Party.

Consideration for the Proposed Disposal

The minimum bidding price for the Proposed Disposal is RMB329,000,001 (equivalent to approximately HK$361.9 million), comprising (i) RMB1 being the consideration for the Sale Equity; and (ii) RMB329.0 million being the consideration for offsetting part of the Shareholder's Loan.

The final consideration for the Proposed Disposal will depend on the final bid price offered by the successful bidder, but in any event will be no less than the minimum bidding price.

Shanghai Shangju Group has been loss making and recorded net liabilities as at 30 June 2019. The amount of the Shareholder's Loan amounted to approximately HK$702.8 million as at 30 June 2019. The minimum bidding price was set based on the consideration of RMB1 for the Sale Equity, and the consideration of RMB329.0 million for offsetting part of the Shareholder's Loan with reference to the latest appraised value of the Properties of approximately RMB1,360.0 million less the outstanding principal amount of the relevant mortgage loan of approximately RMB1,031.0 million (i.e. the Properties have realisable value of approximately RMB329.0 million). The Board considers that the minimum bidding price is fair and reasonable as it is equivalent to the realisable value of the Properties, and has agreed to waive the remaining Shareholder's Loan.

The final consideration for the Proposed Disposal will be settled by cash. While the exact payment terms of the consideration shall be determined at a later stage based on negotiations between the Company and the successful bidder, in order to protect the interests of the Company and the Shareholders as a whole, the Company currently intends that the entire consideration shall be paid within two months upon the Completion and will propose such terms to the successful bidder. A separate announcement will be published by the Company once the payment terms are fixed.

Public tender process of the Proposed Disposal

After obtaining the Shareholders' approval of the Proposed Mandate and the Proposed Disposal at the GM, the Group will commence the formal process of public tender of the 100% equity interest in Shanghai Shangju by submission of the tender notice setting out, *inter alia*, (i) the minimum bidding price for the Proposed Disposal; (ii) the principal terms of the bidding; and (iii) qualifications of potential bidders, to SUAEE (or such other equity exchange as subsequently determined by the Board).

Once the tender notice is published, the publication period will commence and be opened for ten (10) Business Days. During the publication period, qualified bidders may indicate their interest in purchasing the Sale Equity and register themselves as interested bidders.

Upon expiry of the publication period, SUAEE (or such other equity exchange as subsequently determined by the Board) will notify the Company the identity of the successful bidder of the public tender. The Company will then enter into a sale and purchase agreement in relation to the Sale Equity with the successful bidder and to complete the Proposed Disposal accordingly.

Condition precedent to the entering into and completion of the Proposed Disposal

The entering into the Proposed Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Proposed Disposal including the approval by the Shareholders in respect of the Proposed Disposal at the GM.

Once a successful bidder for the Sale Equity has been identified, the Company will have an unconditional obligation under the rules of SUAEE (or such other equity exchange as subsequently determined by the Board) to enter into the sale and purchase agreement with such successful bidder and shall, subject to the payment of the consideration by the successful bidder, complete the transaction contemplated thereunder. The Company will not be able to include the approval of the Shareholders which is required under Chapter 14 of the Listing Rules as a condition precedent to the Completion under the rules of SUAEE (or such other equity exchange as subsequently determined by the Board). Accordingly, the Board will seek the Shareholders' advance approval for the grant of the Proposed Mandate to the Directors at the GM.

VI. Reasons for and benefits of the Proposed Disposal

The Properties were acquired by the Group in 2015 for the purposes of (a) expanding the income stream of the Group through (i) property leasing and (ii) the appreciation potential of property; and (b) conducting the seaplane business with the support of the port for seaplane of the Properties. However, a majority of the Properties have been left vacant since acquisition due to the tightening real estate market policy in the PRC, as a result of which the value of the Properties did not rise but declined. In addition, the seaplane business has not commenced as expected due to an accident occurred in the early stage of the development and the Group received poor market response. Taking into account the safety concerns, the Board made an assessment and decided not to proceed with the seaplane business plan. As detailed in the section headed "III. Properties held by Shanghai Shangju Group" of this letter, rooms 101 to 106 of Xinhua Jia Li Building have been leased out for aggregate rentals of approximately RMB1.3 million (equivalent to approximately HK$1.4 million) per annum. Nevertheless, the annual finance cost in relation to the Properties amounts to approximately HK$51.0 million in total which has imposed a significant financial burden on the Group. Hence, the Group has been actively seeking opportunity to dispose of the Properties so as to release the funds locked up therein for repayment of debts and working capital of the Group.

The Board is of the view that conducting the Proposed Disposal through SUAEE (or such other equity exchange as subsequently determined by the Board) could attract more potential bidders and maximise the consideration for the Proposed Disposal, which would be in the interests of the Company and the Shareholders as a whole. Also, the transaction costs and expenses through an equity exchange would be much lower than the cost of engagement of a real estate agency. As at the Latest Practicable Date, the Company had contacted several potential bidders who are interested in the Proposed Disposal.

The Company has consulted SUAEE regarding the requirements and tendering procedures applicable to the Proposed Disposal and SUAEE indicated that a tender conditional on shareholders' approval will not be acceptable under the rules of SUAEE. Given such restriction, the Company would not be able to conduct the Proposed Disposal under the public tender process unless a prior mandate is sought.

The Company is of the view that the following appropriate measures are in place to safeguard the interests of the Company and the Shareholders as a whole for the Proposed Disposal:

a. the major terms and conditions in relation to the Proposed Disposal, except for the final consideration and the payment terms, would be fixed and publicly disclosed in this letter and in the public tender;

b. a minimum bidding price would be set for the Proposed Disposal, meaning that the Company would be protected against any unfavourable bidding results which might not be in the interests of the Company and the Shareholders as a whole;

c. the Proposed Mandate would be subject to Shareholders' approval; and

d. further details in respect of the Proposed Mandate and the Proposed Disposal are included in this circular to allow the Shareholders to make a properly informed decision.

The Directors are of the view that the Proposed Disposal will be carried out upon normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VII. Use of proceeds and financial impact of the Proposed Disposal

Based on the minimum bidding price, the gross proceeds from the Proposed Disposal are expected to be approximately RMB329.0 million (equivalent to approximately HK$361.9 million) and net proceeds (after deducting the related transaction costs and expenses etc.) are expected to be approximately RMB303.9 million (equivalent to approximately HK$334.3 million). The Group intends to use the net proceeds to repay the interest-bearing liabilities of the Group in the sum of approximately RMB243.1 million, comprising various loans and/or interests payable (including certain convertible notes of the Company which amounted to approximately HK$84.0 million as at the Latest Practicable Date, further details are included in the Company's announcement dated 31 December 2018), and the remaining balance of the net proceeds of approximately RMB60.8 million (i) mainly to expand the finance lease market for other business sectors and (ii) as general working capital of the Group for its daily operations.

The Proposed Disposal is expected to give rise to a loss of around HK$190.0 million (before taxation, if any) to the Group, calculated as the difference between the minimum bidding price for the Proposed Disposal and the unaudited consolidated net liabilities of Shanghai Shangju Group as at 30 June 2019 after adjustments for the Shareholder's Loan, and the exchange reserve released, together with the transaction costs and expenses etc. in relation to the Proposed Disposal. Detailed calculation of such loss is included in note (3) to the Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as contained in Appendix IV to this circular. The actual gain or loss as a result of the Proposed Disposal to be recorded by the Company is subject to final review and audit, and any changes to the carrying amount of Shanghai Shangju Group as at the date of the Completion and the final consideration, and hence may or may not be the same as the aforesaid expected loss.

Despite it is expected that the Proposed Disposal will give rise to a substantial loss to the Group, having considered (i) Shanghai Shangju Group has been making substantial persistent losses of around HK$103.8 million and HK$329.3 million in 2017 and 2018 respectively, including the heavy long-term recurrent financial burden arising from the Properties of approximately HK$51.0 million per annum; and (ii) the Proposed Disposal allows the Group to release the funds locked up for repayment of debts, thus allowing the Group to fulfil its debt repayment obligation and improve its overall gearing position significantly, the Board is of the view that the inevitable one-off loss due to the Proposed Disposal is acceptable.

INFORMATION ABOUT THE GROUP

The Company is a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 260). As at the Latest Practicable Date, the Group was principally involved in the investment of light-emitting diode ("**LED**") energy management contracts ("**EMC**") business, provision of finance lease and loan services and property investment and provision of land development services in the PRC. The Group invests in LED EMC business through a joint venture.

LISTING RULES IMPLICATIONS

Using the minimum bidding price of RMB329,000,001 as the basis of calculation, the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposed Disposal exceeds 75%. Therefore, the Proposed Disposal, if materialised, is expected to constitute a very substantial disposal of the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GM

A notice convening the GM to be held at Unit 1804A, 18/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong, on Tuesday, 31 December 2019 at 9:30 a.m. is set out on pages GM-1 to GM-2 of this circular. Ordinary resolution(s) will be proposed at the GM for the purpose of considering and, if thought fit, approving the Proposed Disposal and the transactions contemplated thereunder and granting in advance to the Directors the Proposed Mandate to enter into and complete the Proposed Disposal. The voting on ordinary resolution(s) to be proposed at the GM will be taken by way of poll and an announcement will be made by the Company after the GM on the result of the GM with respect to whether or not the proposed ordinary resolution(s) have been passed by the Shareholders. As at the Latest Practicable Date, no Shareholder had material interest in the Proposed Disposal and the Proposed Mandate (other than being a Shareholder) and therefore no Shareholder is required to abstain from voting on the relevant resolution(s) at the GM.

A form of proxy for use at the GM is enclosed with this circular. Whether or not you propose to attend the meeting, you are requested to read the notice of GM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the GM should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Proposed Disposal and the Proposed Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolution(s) as set out in the notice of GM.

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 of
AVIC Joy Holdings (HK) Limited
GUAN Liqun
Chairman, Executive Director and Chief Executive Officer

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the six months ended 30 June 2019 and each of the three years ended 31 December 2018 have been published in the interim report and annual reports of the Company per below:

(i) the financial information of the Group for the six months ended 30 June 2019 is disclosed in the interim report of the Company for the six months ended 30 June 2019 published on 25 September 2019, from pages 13 to 46:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0925/ltn20190925391.pdf

(ii) the financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 18 April 2019, from pages 41 to 142:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn201904181002.pdf

(iii) the financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 25 April 2018, from pages 59 to 192:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0425/LTN20180425599.pdf

(iv) the financial information of the Group for the year ended 31 December 2016 is disclosed in the annual report of the Company for the year ended 31 December 2016 published on 13 April 2017, from pages 43 to 186:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413733.pdf

All of the above reports have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.avicjoyhk.com).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK$2,629,074,000, which comprised secured and guaranteed bank borrowings of approximately HK$1,143,855,000, unsecured and guaranteed bank borrowings of HK$162,060,000, secured and unguaranteed bank borrowings of HK$49,799,000, unsecured and unguaranteed other loans of approximately HK$117,553,000, unsecured and unguaranteed loans from related companies, non-controlling shareholders and joint ventures of approximately HK$1,152,758,000 and lease liabilities for the remainder of the relevant lease terms of approximately HK$3,049,000 in aggregate which were secured by rental deposits and were unguaranteed.

The secured borrowings of HK$1,193,654,000 as at 31 October 2019 were secured by trade receivables and investment properties of the Group.

The unsecured but guaranteed bank borrowings of HK$109,890,000 were guaranteed by AVIC Joy Air Co., Ltd. (a shareholder of the Company) and HK$52,170,000 were guaranteed by Fujian General Aviation Industry Co., Ltd.* (福建通航航空產業有限公司) (a subsidiary of AVIC Joy Air Co., Ltd.) and AVIC (Fujian) Construction Investment Co., Ltd. * (中航（福建）建設投資有限公司) (a subsidiary of the Company) as at 31 October 2019.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 October 2019, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, guarantees, or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL

After taking into account the financial resources and banking facilities available to the Group, its internally generated funds, and the continuing financial support by the shareholder of the Group to meet its liabilities as and when they fall due in the foreseeable future, the Directors are of the opinion that the Group has sufficient working capital for its present requirement for at least the next twelve months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS

As the only material business operations of Shanghai Shangju Group are the holding and leasing of the Properties which have been largely left vacant, the Directors believe that the Proposed Disposal will not have material impact on the existing business of the Group. Meanwhile, notwithstanding the one-off loss, the Proposed Disposal is expected to reduce the long-term recurrent financial burden of the Group arising from the annual finance cost of the Properties of approximately HK$51.0 million as well as other related taxes and expenses. In addition, the Group intends to use part of the net proceeds from the Proposed Disposal to repay the interest-bearing liabilities of the Group, so as to improve the Group's overall gearing position.

As referred to in the interim report for the six months ended 30 June 2019 of the Company, as at 30 June 2019, the Group's total debts (including trade payables, other payables and accruals, loans from joint ventures, interest-bearing bank and other borrowings, loans from related companies and loans from non-controlling shareholders) amounted to approximately HK$2,714.5 million, of which approximately HK$602.5 million were repayable within one year. The gearing ratio of the Group was approximately 99.9% as at 30 June 2019.

Upon Completion, the Group will still hold investment properties at Jinma Building, which is located in Hai Dian District, Beijing, the PRC. The fair value of such investment properties as at 30 June 2019 was approximately RMB17.6 million. The investment properties at Jinma Building are currently rented out for an annual rental income of approximately RMB1.1 million until February 2020. The Group may consider to dispose of such investment properties later.

As at the Latest Practicable Date, the Group was principally involved in the investment of LED EMC business, provision of finance lease and loan services and property investment and provision of land development services in the PRC. The Group invests in LED EMC business through a joint venture.

Set out below is the financial information of each business segment of the Group for the year ended 31 December 2018:

	PPP Class 1 land development business and trading of construction materials segment *HK$'000*	**Finance lease and loan services and properties investment segment** *HK$'000*	**LED segment** *(Note)* *HK$'000*
For the year ended 31 December 2018			
Turnover	—	11,066	—
Segment (loss)/profit	(464,453)	(333,019)	14,907

Note: The LED segment has become a joint venture of the Group and hence its financial results and financial positions were deconsolidated from the consolidated financial statements of the Group following completion of the deemed disposal of 55% interest in the LED segment in December 2015, details of which were disclosed in the announcement of the Company dated 2 December 2015.

Finance lease and loan services and properties investment

The Group's finance lease and loan services and properties investment segment recorded a total revenue of approximately HK$11.1 million for the year ended 31 December 2018 (2017: approximately HK$16.8 million), representing a decrease of approximately 33.9% as a result of the decrease of interest income.

Guangdong Ziyutai, the Group's finance lease subsidiary, has 20 employees who are keen on exploring business opportunities. In 2018, it started negotiations with various sizeable state-owned enterprises/entities and high-quality public hospitals in the PRC in exploring potential cooperation in the finance lease business. During the first half of 2019, Guangdong Ziyutai has entered into finance lease arrangements with two PRC public hospitals. There are two types of finance lease arrangements provided by the Group, namely direct-lease arrangement and equipment leaseback arrangement. The finance lease arrangements generally cover various types of underlying equipment according to the specific needs of the customers. While high-quality public hospitals in the PRC are the major types of the target customers under the finance lease business segment, other sizeable state-owned enterprises/entities will also be considered. Save as disclosed above, the Group does not provide any other loan services. Guangdong Ziyutai is in the course of negotiating for various new finance lease projects located in Sichuan Province, Guangdong Province, Guizhou Province, Shenzhen and Shanghai of the PRC, which can reflect the potential market coverage of the Group in the finance lease market. The Company will continue to support the aforesaid cooperation in the future. Based on the positive business prospect, the Group will strive to expand the finance lease market for other business sectors and value-added customers.

During the year ended 31 December 2018, some of the Group's commercial properties in Shanghai have not been leased out. The loss of this segment increased to approximately HK$333.0 million during the year ended 31 December 2018 (2017: approximately HK$96.3 million), mainly due to fair value loss on investment properties during the year.

The finance lease receivables, prepayments, cash and bank balance of approximately HK$122.4 million constituted the major assets of the finance lease and loan services segment as at 31 December 2018. As the Company's finance lease and loan services segment is mainly financed by bank borrowings, the interest-bearing bank loan(s) of approximately HK$89.8 million constituted major liabilities of the finance lease and loan services segment as at 31 December 2018.

The investment properties' fair value of approximately HK$1,707.3 million constituted the major assets of the properties investment segment as at 31 December 2018. The interest-bearing bank loan(s)/mortgage of approximately HK$1,173.0 million and loan from related company of approximately HK$655.1 million constituted major liabilities of the property investment segment as at 31 December 2018.

With the steady promotion of the national policies as supply-side reform, "Belt and Road Initiatives" and "Made in China 2025", the finance lease industry will embrace huge development potential in the future. Benefiting from favorable conditions brought by economic structure transformation, consumption upgrading and the development of the free trade zone, business such as rental of automobile, airplane and medical devices is expected to enjoy rapid growth. In view of such good business prospect, the Group will be dedicated to other business segments and value-added customers in a bid to expand the market of finance lease market and focus on the promotion of the development of the business of medical device financing and leasing. The Group will continue to search for suitable investment opportunities and look for more effective ways to deploy its resources.

PPP class 1 land development business and trading of construction materials

The land development business in Fuqing City, Fujian Province of the PRC comprises class 1 land development of New Central Costal City (中部濱海新城) (the "**Project Land**") and the construction of Ronggang Boulevard (融港大道) (collectively referred to as the "**Project**"). The Project Land is located within the vicinity of Fuqing City Central Baigeshanken District (福清市中部白鴿山墾區) of approximately 7,300 mu, with an aggregate developable commercial and residential land of approximately 3,990 mu. In order to have more control over the development of the Project Land, the Company has completed the restructuring plan that the main operational management of AVIC International (Fujian) Industrial Co., Ltd. ("**AVIC Fujian**"), a subsidiary of the Company to operate the Project, has been appointed by the Company to monitor the Project directly and to develop business strategy, so that the Company could improve the efficiency of the development of the Project Land.

The Group's business in Fuqing City, Fujian Province did not record sales revenue for the year ended 31 December 2018 (2017: approximately HK$79.7 million). The revenue recorded in 2017 was mainly derived from sales of construction materials which was an one-off transaction to sell all scrap construction materials generated from the land development business in 2017, while the Group suspended the business of sales of construction materials to effectively prevent business risks due to the low gross profit margin.

The loss of this segment increased to approximately HK$464.5 million for the year ended 31 December 2018 (2017: approximately HK$57.8 million), mainly due to the impairment of intangible assets during the year.

The contract for service cost of approximately HK$289.9 million, the intangible asset of approximately HK$540.1 million, and the trade and other receivable and prepayments of approximately HK$131.3 million constituted the major assets of this segment as at 31 December 2018. Interest-bearing bank loan(s) of approximately HK$280.4 million constituted major liabilities of this segment as at 31 December 2018.

Reference is made to note 18 to the financial statements contained in the annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 in relation to the dispute of the execution of the master investment and construction co-operation agreement (the "**MICCA**") entered into between AVIC Fujian and Fuqing City Municipal Government (the "**Fuqing Government**"). In relation to the appeal filing made by the Group in May 2018 (the "**Appeal**") to the Intermediate People's Court of Putian Municipality (莆田市中級人民法院) (the "**Putian Court**"), there was one hearing in May 2019 where the parties delivered evidence and provided statements to the Putian Court. Taking into account of the possible outcome of the appeal and the estimated shortened period of the Project due to the delay of the Project, the Group has already recognised an impairment of HK$423,816,000 in the consolidated statement of profit or loss for the year ended 31 December 2018, and based on a preliminary review of the Group's unaudited consolidated management accounts for the six months ended 30 June 2019, the Company is of a view that there is no continual financial impact on the Group in relation to the said legal proceeding. As at the Latest Practicable Date, the land development business was still suspended, and the legal proceeding had not yet come up with final conclusion and there was no specific timeline for the resolution of such legal proceeding. The main operational management of the Company will continue to communicate with the PRC government for restarting and promoting the land development business. The Company will make additional disclosures, including other possible impact of the legal proceeding on the Company's operations, in accordance with the requirements of the Listing Rules when appropriate.

LED business

The Group has invested in the LED business since 2011 and disposed of 55% of the issued share capital of Jia Lian International Limited ("**Jia Lian**") on 2 December 2015. However, under a shareholders' agreement, the Group and another shareholder jointly control the board of directors of Jia Lian. Therefore, Jia Lian is classified as a joint venture of the Group. Since the Company's interest in Jia Lian was diluted from 100% to 45% in December 2015, the financial results and financial positions of the LED segment have been deconsolidated from the financial statements of the Group and Jia Lian has been accounted for as a joint venture using equity method.

Jia Lian has entered into energy-saving contracts with various local governments in the PRC through its subsidiaries established in the PRC, pursuant to which, the subsidiaries of Jia Lian will provide LED lights to replace the existing street lights in certain cities of the PRC by adopting energy management contracts ("**EMC**") model. At the beginning of the energy-saving contracts, subsidiaries of Jia Lian would be responsible for the investment and installation of the facilities (mainly LED lights). During the term of the said energy-saving contracts (generally 8 to 20 years), the governments would pay an annual fee that comprises the maintenance fee on the facilities and around 90% of the annual electricity fee saved by using LED lights to the relevant subsidiaries upon the energy-saving retrofit. The energy-saving facilities (mainly LED lights) will be transferred to the governments for free upon expiry of the relevant energy-saving contract. The Group has nominated one director of Jia Lian to participate in the daily operation and management of the LED EMC business.

The Group recorded a share of profit of the joint venture of approximately HK$14.2 million for the year ended 31 December 2018 (2017: approximately HK$18.3 million), representing a decrease of approximately 22.4% as result of the decrease in revenue of LED EMC.

The LED EMC business is for the purpose of long-term recurrent gains, and the Group maintains its existing investment in LED EMC business and may adjust its direction according to the market condition when necessary.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out on pages II-1 to II-11 below are the unaudited financial information of Shanghai Shangju Enterprise Co., Ltd. and its subsidiary (hereinafter collectively referred to as the "**Disposal Group**"), which comprises the unaudited consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019, the unaudited consolidated statements of profit or loss, the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows for the three years ended 31 December 2018 and the six months ended 30 June 2019 (the "**Relevant Periods**"), and certain explanatory notes (the "**Unaudited Consolidated Financial Information**").

The Unaudited Consolidated Financial Information has been prepared in accordance with basis of preparation as set out in Note 2 to the Unaudited Consolidated Financial Information and Paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Unaudited Consolidated Financial Information is prepared by the directors of AVIC Joy Holdings (HK) Limited (the "**Company**") solely for the purpose of inclusion in this circular of the Company. The Unaudited Consolidated Financial Information has been reviewed by the Company's reporting accountant, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on the review, nothing has come to the reporting accountants' attention that causes them to believe that the Unaudited Consolidated Financial Information of the Disposal Group is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Unaudited Consolidated Financial Information.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue — rental income	1,462	1,446	1,471	760	723
Other income, gains and losses	516	518	6,894	3,021	1,851
Administrative expenses	(18,468)	(29,247)	(24,531)	(13,486)	(7,625)
Impairment losses of other receivables	—	(8,213)	—	—	—
Fair value losses on investment properties, net	(2,106)	(1,392)	(246,148)	—	—
Finance costs	(64,125)	(66,891)	(66,944)	(27,592)	(34,655)
Loss for the year/period	(82,721)	(103,779)	(329,258)	(37,297)	(39,706)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year/period	(82,721)	(103,779)	(329,258)	(37,297)	(39,706)
Other comprehensive income/(expense) for the year					
— exchange differences on translation from functional currency to presentation currency that will not be reclassified to profit or loss	(20,780)	16,561	1,424	(9,501)	685
Total comprehensive expense for the year/period	(103,501)	(87,218)	(327,834)	(46,798)	(39,021)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	1,899	718	265	262
Investment properties	1,892,576	2,026,320	1,687,200	1,687,200
Prepayments and deposits	14,213	6,000	4,560	4,560
	1,908,688	2,033,038	1,692,025	1,692,022
Current assets				
Prepayments, deposits and other receivables	2,595	2,852	2,365	3,009
Amounts due from related parties	9,026	9,652	92,109	72,500
Bank balances and cash	3,430	3,091	7,580	2,350
	15,051	15,595	102,054	77,859
Current liabilities				
Other payables and accruals	23,884	22,327	7,177	1,980
Interest-bearing bank and other borrowings	160,160	11,360	17,632	17,632
Amounts due to related parties	449,738	558,047	740,705	775,317
	633,782	591,734	765,514	794,929
Net current liabilities	(618,731)	(576,139)	(663,460)	(717,070)
Total assets less current liabilities	1,289,957	1,456,899	1,028,565	974,952
Non-current liabilities				
Interest-bearing bank and other borrowings	1,008,000	1,241,760	1,155,200	1,147,068
Amounts due to related parties	—	20,400	6,460	—
	1,008,000	1,262,160	1,161,660	1,147,068
Net assets/(liabilities)	281,957	194,739	(133,095)	(172,116)
Capital and reserves				
Paid-in capital	482,127	482,127	482,127	482,127
Other reserves	(200,170)	(287,388)	(615,222)	(654,243)
Total equity	281,957	194,739	(133,095)	(172,116)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Shanghai Shangju				
	Paid-in capital *HK$'000*	Property revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2016	482,127	—	(20,581)	(85,514)	376,032
Loss for the year	—	—	—	(82,721)	(82,721)
Other comprehensive expense for the year					
— exchange differences on translation from functional currency to presentation currency that not be reclassified to profit or loss	—	—	(20,780)	—	(20,780)
Total comprehensive expense for the year	—	—	(20,780)	(82,721)	(103,501)
Revaluation of land and building transferred to an investment property	—	9,426	—	—	9,426
At 31 December 2016	482,127	9,426	(41,361)	(168,235)	281,957
Loss for the year	—	—	—	(103,779)	(103,779)
Other comprehensive income for the year					
— exchange differences on translation from functional currency to presentation currency that not be reclassified to profit or loss	—	—	16,561	—	16,561
Total comprehensive income/(expense) for the year	—	—	16,561	(103,779)	(87,218)
At 31 December 2017	482,127	9,426	(24,800)	(272,014)	194,739
Loss for the year	—	—	—	(329,258)	(329,258)
Other comprehensive income for the year					
— exchange differences on translation from functional currency to presentation currency that not be reclassified to profit or loss	—	—	1,424	—	1,424
Total comprehensive income/(expense) for the year	—	—	1,424	(329,258)	(327,834)
At 31 December 2018	482,127	9,426	(23,376)	(601,272)	(133,095)
Loss for the period	—	—	—	(39,706)	(39,706)
Other comprehensive income for the period					
— exchange differences on translation from functional currency to presentation currency that not be reclassified to profit or loss	—	—	685	—	685
Total comprehensive income/(expense) for the period	—	—	685	(39,706)	(39,021)
At 30 June 2019	482,127	9,426	(22,691)	(640,978)	(172,116)
At 1 January 2018	482,127	9,426	(24,800)	(272,014)	194,739
Loss for the period	—	—	—	(37,297)	(37,297)
Other comprehensive expense for the period					
— exchange differences on translation from functional currency to presentation currency that not be reclassified to profit or loss	—	—	(9,501)	—	(9,501)
Total comprehensive expense for the period	—	—	(9,501)	(37,297)	(46,798)
At 30 June 2018	482,127	9,426	(34,301)	(309,311)	147,941

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Loss for the year/period	(82,721)	(103,779)	(329,258)	(37,297)	(39,706)
Adjustments for:					
Depreciation of property, plant and equipment	2,408	1,273	433	364	2
Finance costs	64,125	66,891	66,944	27,592	34,655
Fair value losses on investment properties, net	2,106	1,392	246,148	—	—
Impairment losses of other receivables	—	8,213	—	—	—
Others	(515)	(517)	(6,071)	—	—
Operating cash flows before movements in working capital	(14,597)	(26,527)	(21,804)	(9,341)	(5,049)
Decrease/(increase) in prepayments, deposits and other receivables	36	(88)	372	312	(643)
Increase/(decrease) in other payables and accruals	20,881	(2,906)	(2,549)	(3,368)	(6,421)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	6,320	(29,521)	(23,981)	(12,397)	(12,113)
INVESTING ACTIVITIES					
Advance to related parties	(9,522)	(2,328)	(114,294)	(80,520)	—
Purchase of property, plant and equipment	(13)	—	—	—	—
Repayment from related parties	1,120	3,445	12,540	—	21,341
Interest received	94	100	157	39	19
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(8,321)	1,217	(101,597)	(80,481)	21,360

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES					
Advance from related parties	180,014	338,230	284,041	174,888	33,401
Proceeds from bank and other borrowings	—	1,207,500	—	—	—
Repayment to related parties	(55,708)	(238,870)	(76,013)	(31,733)	(10,777)
Repayments of bank and other borrowings	(69,455)	(1,221,664)	(13,920)	(3,660)	(3,480)
Interest paid	(62,675)	(57,477)	(63,826)	(28,462)	(33,567)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(7,824)	27,719	130,282	111,033	(14,423)
Net (decrease)/increase in cash and cash equivalents	(9,825)	(585)	4,704	18,155	(5,176)
Cash and cash equivalents at the beginning of the year/period	13,399	3,430	3,091	3,091	7,580
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(144)	246	(215)	(357)	(54)
Cash and cash equivalents at the end of the year/period represented by bank balances and cash	3,430	3,091	7,580	20,889	2,350

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

As at the date of this circular, Shanghai Shangju Enterprise Company Limited ("**Shanghai Shangju**") is a subsidiary of Guangdong Zi Yu Tai Finance Leasing Company Limited, a direct wholly-owned subsidiary of the Company. On 14 November 2019, the board of directors of the Company resolved to dispose its 100% equity interest in the Shanghai Shangju, by way of a public tender (the "**Disposal**"). Upon completion of the Disposal, Shanghai Shangju will cease to be a subsidiary of the Company.

Shanghai Shangju was incorporated in the People's Republic of China (the "**PRC**") as a company with limited liability under Company Law of the PRC. Shanghai Shangju was principally engaged in property investment.

2. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The unaudited consolidated financial information of Shanghai Shangju and its subsidiary (collectively referred to as the "**Disposal Group**") for each of the three years ended 31 December 2018 and six months ended 30 June 2019 has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular to be issued by the Company in connection with the Disposal.

The Unaudited Consolidated Financial Information has been prepared using the same accounting policies adopted by the Group as set out in the published annual report of the Company for the years ended 31 December 2016, 2017 and 2018 and the published interim report of the Company for the six months ended 30 June 2019, which conform with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Except as described in the change in the accounting policies as set out in Note 3, these policies have been consistently applied to all periods presented.

The Unaudited Consolidated Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" issued by the HKICPA or an interim report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The functional currency of Shanghai Shangju is Renminbi.

The Unaudited Consolidated Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As at 30 June 2019, the current liabilities of Disposal Group exceeded their respective current assets by approximately HK$717,070,000.

The above conditions indicated the existence of uncertainties which may cast significant doubt on the abilities of Disposal Group to continue as a going concern and therefore, Disposal Group may not be able to realise its assets and discharge its liabilities in normal course of business. The shareholder of the Company has undertaken to provide continuing financial support in order to maintain Disposal Group as going concern. Accordingly the Unaudited Consolidated Financial Information has been prepared on the going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

The Disposal Group adopted HKFRS 9 *Financial Instruments* ("**HKFRS 9**") for the first time for the year ended 31 December 2018 and HKFRS 16 *Leases* ("**HKFRS 16**") for the first time for the six months ended 30 June 2019.

3.1 Impacts and changes in accounting policies of application on HKFRS 9 and the related amendments

HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses for financial assets and 3) general hedge accounting.

The Disposal Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under expected credit losses model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Any difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 is recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Based on the assessment by the directors of the Shanghai Shangju, there is no material impact of transition to HKFRS 9 and the related amendments at the date of initial application, 1 January 2018.

3.2 Impacts and changes in accounting policies of application on HKFRS 16

HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**") and the related interpretations for annual periods beginning on or after 1 January 2019. On transition, the Group has made the following adjustments to the Unaudited Consolidated Financial Information upon application of HKFRS 16.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Disposal Group is not required to make any adjustment on transition for leases in which the Disposal Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Disposal Group's unaudited consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets. The change had no material impact on the unaudited consolidated financial statements of the Disposal Group for the six months ended 30 June 2019.

The transition to HKFRS 16 had no impact on accumulated losses at 1 January 2019.

There is no material impact on the unaudited consolidated statement of financial position of Shanghai Shangju as at 30 June 2019 and the unaudited consolidated statement of profit and loss and statement of cash flows for the six months ended 30 June 2019 resulted from the application of HKFRS 16 as a lessor.

The management discussion and analysis of the Remaining Group for the three years ended 31 December 2018 and the six months ended 30 June 2019 is set out below. Upon completion of the Proposed Disposal, Shanghai Shangju Group will cease to be a subsidiary of the Company, and the Company will no longer have any ownership interest in Shanghai Shangju Group. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for each of the financial years ended 31 December 2016 ("**FY2016**"), 31 December 2017 ("**FY2017**") and 31 December 2018 ("**FY2018**") and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019 (the "**2019 Period**").

(i) THE 2019 PERIOD

During the 2019 Period, the Remaining Group's revenue from continuing operations amounted to approximately HK$36.1 million (the corresponding period in 2018: approximately HK$69.3 million). The decrease in revenue was mainly due to the reduction in revenue contribution from gas segment.

The Remaining Group's result attributable to owners of the parent for the 2019 Period was a loss of approximately HK$213.7 million (the corresponding period in 2018: loss of approximately HK$243.7 million). The decrease was mainly due to impairment of trade receivables during the corresponding period in 2018.

Funding and treasury policy

The Remaining Group's funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group's operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

Operating segments information

i) Finance lease and loan services

During the 2019 Period, the finance lease and loan services segment recorded a decrease in revenue from approximately HK$5.3 million to approximately HK$3.2 million as compared with the corresponding period in 2018, mainly due to the decrease in finance lease interest income.

ii) PPP class 1 land development business

During the 2019 Period, net loss of this business segment reduced to approximately HK$2.5 million (the corresponding period in 2018: approximately HK$39.2 million), which was mainly due to a decrease in impairment loss on trade receivables under expected credit loss model, net of reversal compared with the same period of last year from approximately HK$33.1 million to approximately HK$3.9 million.

Liquidity and financial resources

As at 30 June 2019, the Remaining Group had total assets of approximately HK$1,700.1 million and liabilities of approximately HK$1,691.1 million.

Cash position

As at 30 June 2019, the Remaining Group's bank and cash balances were approximately HK$382.7 million. Majority of the Group's bank and cash balances were held in HK$ and RMB.

Borrowings and gearing ratio

As at 30 June 2019, the Remaining Group's negative equity attributable to owners of the parent amounted to approximately HK$180.3 million. The Remaining Group's borrowings amounted to approximately HK$1,103.1 million, which were mainly denominated in HK$, USD and RMB. Approximately 59.0% of the Remaining Group's borrowings was at fixed rates while the rest was at floating rates. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was approximately 119.5%.

Charge on assets

As at 30 June 2019, the Remaining Group did not have any charge on assets.

Capital commitments

As at 30 June 2019, the Remaining Group had capital commitments in respect of the acquisition of property, plant and equipment of approximately HK$1.8 million.

Contingent liabilities

As at 30 June 2019, the Remaining Group did not have any contingent liabilities.

Exchange risk exposure and hedging

During the 2019 Period, the Remaining Group was not materially exposed to foreign currency risk.

Significant investments and material acquisitions and/or disposals

(i) On 17 April 2019, Guangdong Ziyutai and The People's Hospital of Jizhou District, Tianjin (天津市薊州區人民醫院) ("**Tianjin Jizhou Hospital**") entered into a transfer agreement, pursuant to which Guangdong Ziyutai agreed to purchase certain medical equipment and apparatus from Tianjin Jizhou Hospital, at the consideration of RMB50,000,000, as disclosed in the Company's announcement dated 17 April 2019.

(ii) On 17 April 2019, Tianjin Jizhou Hospital and Guangdong Ziyutai entered into a finance lease agreement, pursuant to which Guangdong Ziyutai agreed to lease back the aforesaid certain medical equipment and apparatus to Tianjin Jizhou Hospital for a term of three years, to be payable in 12 quarterly installments, at a total lease payment in the amount of RMB57,959,675.52, as disclosed in the Company's announcement dated 17 April 2019.

(iii) On 12 July 2019, the Company, Crystal Concept Investments Limited ("**Crystal Concept**"), Favour King Holdings Limited ("**Favour King**") and Winfield Innovations Group Limited ("**Winfield Innovations**") entered into a share transfer agreement, pursuant to which, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the entire issued share capital of Crystal Concept, at a consideration of RMB35,840,000. The completion of the said share transfer agreement is subject to, among other things, the approval from the Shareholders at a general meeting in respect of the said share transfer agreement and the transactions contemplated thereunder. On 12 September 2019, the resolution regarding the said share transfer agreement and the transactions contemplated thereunder was duly passed as an ordinary resolution of the Company at the general meeting of the Company. Details are disclosed in the announcements of the Company dated 12 July 2019 and 12 September 2019 and the circular of the Company dated 28 August 2019.

(iv) On 27 November 2019, Guangdong Ziyutai (as purchaser and lessor), Shanghai Runda Medical Technology Co., Ltd.* (上海潤達醫療科技股份有限公司) ("**Runda Medical**") and Shanghai Runda Rongjia Biological Technology Co., Ltd.* (上海潤達榕嘉生物科技有限公司) ("**Runda Rongjia**") (collectively, as suppliers and lessees) entered into the finance lease arrangement, pursuant to which (a) Guangdong Ziyutai agreed to purchase certain medical equipment and apparatus from Runda Medical and Runda Rongjia, at the consideration of RMB12,000,000; and (b) Guangdong Ziyutai agreed to lease back the said medical equipment and apparatus to Runda Medical and Runda Rongjia for a term of one year, at a total payment in the amount of approximately RMB12,958,500. Details are disclosed in the announcement of the Company dated 27 November 2019.

(v) On 29 November 2019, Guangdong Ziyutai (as purchaser and lessor), Zhongshan Shixing Decoration Co., Ltd.* (中山市時興裝飾有限公司) ("**Zhongshan Shixing**") and Hubei Munianhua Furniture Co., Ltd.* (湖北木年華家居有限公司) ("**Hubei Munianhua**") (collectively, as suppliers and lessees) entered into the finance lease arrangement, pursuant to which (a) Guangdong Ziyutai agreed to purchase certain machinery and equipment from Zhongshan Shixing and Hubei Munianhua, at the consideration of RMB45,000,000; and (b) Guangdong Ziyutai agreed to lease back the said machinery and equipment to Zhongshan Shixing and Hubei Munianhua for a term of three years, at a total lease payment in the amount of approximately RMB49,283,538.67 to be payable in 36 monthly installments. Details are disclosed in the announcement of the Company dated 29 November 2019.

Save for the above disclosed, the Remaining Group did not have any significant investments and/or material acquisitions or disposals of subsidiaries and associated companies during the 2019 Period.

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plan for material investments or addition of capital assets during the 2019 Period.

Staff and remuneration policy

As at 30 June 2019, the Remaining Group had approximately 124 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK$7.9 million. The Remaining Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

(ii) FY2018

During FY2018, the Remaining Group's revenue from continuing operations amounted to approximately 138.6 million (FY2017: approximately HK$251.2 million). The decrease in revenue was mainly due to the reduction in revenue contribution from gas segment

The Remaining Group's result attributable to owners of the parent for FY2018 was a loss of approximately HK$623.5 million (FY2017: loss of approximately HK$609.6 million). The increase was mainly due to the decrease in revenue.

Funding and treasury policy

The Remaining Group's funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group's operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

Operating segments information

i) Finance lease and loan services

During FY2018, the finance lease and loan services segment recorded a revenue of approximately HK$9.6 million (FY2017: approximately HK$15.4 million), representing a decrease of approximately 37.7% from the previous year, which was mainly due to decrease in finance lease interest income.

ii) PPP class 1 land development business

During FY2018, the loss of this segment increased to approximately HK$464.5 million (FY2017: approximately HK$57.8 million), which was mainly due to the impairment of intangible assets.

Liquidity and financial resources

As at 31 December 2018, the Remaining Group had total assets of approximately HK$1,733.3 million and liabilities of approximately HK$1,633.2 million.

Cash position

As at 31 December 2018, the Remaining Group's bank and cash balances were approximately HK$379.5 million. Majority of the Group's bank and cash balances were held in HK$ and RMB.

Borrowings and gearing ratio

As at 31 December 2018, the Remaining Group's negative equity attributable to owners of the parent amounted to approximately HK$92.7 million. The Remaining Group's borrowings amounted to approximately HK$1,076.3 million, which were mainly denominated in HK$, USD and RMB. Approximately 52.0% of the Remaining Group's borrowings was at fixed rates while the rest was at floating rates. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was approximately 109.4%.

Charge on assets

As at 31 December 2018, the Remaining Group did not have any charge on assets.

Capital commitments

As at 31 December 2018, the Remaining Group had capital commitments in respect of the acquisition of property, plant and equipment of approximately HK$3.5 million contracted but not provide for in the condensed consolidated financial statements.

Contingent liabilities

As at 31 December 2018, the Remaining Group did not have any contingent liabilities.

Exchange risk exposure and hedging

During FY2018, the Remaining Group was not materially exposed to foreign currency risk.

Significant investments and material acquisitions and/or disposals

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

(ii) On 25 October 2018, the Company, Winfield Innovations Limited ("**Winfield Innovations**"), Chengdu Tongneng Compressed Natural Gas Company Limited* (成都通能壓縮天然氣有限公司) ("**Chengdu Tongneng**") and Sinogas Chengdu Company Limited* (中油潔能(成都)環保科技有限公司) ("**Sinogas Chengdu**") entered into an equity transfer agreement, pursuant to which, Winfield Innovations conditionally agreed to sell and Chengdu Tongneng conditionally agreed to purchase, 52.51% of equity interest in Sinogas Chengdu and the debt for the consideration of RMB34,000,000. For details, please refer to the announcement of the Company dated 25 October 2018.

(iii) On 15 November 2018, the Company, Dynamic Spring Limited ("**Dynamic Spring**"), Sino Gas Group Hong Kong Limited ("**Sinogas Hong Kong**") and Lucky Success Group Limited ("**Lucky Success**") entered into a share transfer agreement, pursuant to which, (i) the Company conditionally agreed to sell and Dynamic

Spring conditionally agreed to purchase the 1 issued ordinary share of Sinogas Hong Kong and 100 issued ordinary shares of Lucky Success, representing the entire issued share capital of each of Sinogas Hong Kong and Lucky Success, at the consideration of RMB14,000,000; and (ii) the debts owed by the Group (excluding the disposed companies) to the disposed companies in the aggregate amount of RMB1,340,987.49 shall be waived. For details, please refer to the announcement of the Company dated 15 November 2018.

Funding plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plan for material investments or addition of capital assets for FY2018.

Staff and remuneration policy

As at 31 December 2018, the Remaining Group had approximately 128 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK$27.2 million. The Remaining Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

(iii) FY2017

During FY2017, the Remaining Group's revenue from continuing operations amounted to approximately 251.2 million (FY2016: approximately HK$356.2 million). The decrease in revenue was mainly due to the reduction in revenue contribution from gas segment and sales of contribution materials.

The Remaining Group's result attributable to owners of the parent for FY2017 was a loss of approximately HK$609.6 million (FY2016: loss of approximately HK$589.9 million), which arose mainly from (i) the impairment losses on property, plant and equipment, prepayments, deposit and other receivables in gas business and finance lease business; and (ii) the impairment loss on the goodwill amounted to approximately HK$48.2 million net off by gain on disposal of subsidiaries amounted to approximately HK$27.7 million during FY2017.

Funding and treasury policy

The Remaining Group's funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group's operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

Operating segments information

i) Finance lease and loan services

The finance lease and loan services segment recorded a revenue of approximately HK$15.4 million for FY2017 (FY2016: approximately HK$15.2 million), representing an increase of approximately 1.3% as a result of the increase of interest income of LED finance lease contracts.

ii) PPP class 1 land development business

The loss of this segment increased to approximately HK$57.8 million during FY2017 (FY2016: approximately HK$8.2 million), mainly due to the impairment of goodwill during the year.

Liquidity and financial resources

As at 31 December 2017, the Remaining Group had total assets of approximately HK$2,384.1 million and liabilities of approximately HK$1,717.6 million.

Cash position

As at 31 December 2017, the Remaining Group's bank and cash balances were approximately HK$396.7 million. Majority of the Group's bank and cash balances were held in HK$ and RMB.

Borrowings and gearing ratio

As at 31 December 2017, the Remaining Group's equity attributable to owners of the parent amounted to approximately HK$286.2 million. The Remaining Group's borrowings amounted to approximately HK$1,096.0 million, which were mainly denominated in HK$, USD and RMB. Approximately 51.0% of the Remaining Group's borrowings was at fixed rates while the rest was at floating rates. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was approximately 79.3%.

Charge on assets

As at 31 December 2017, the Remaining Group did not have any charge on assets.

Capital commitments

As at 31 December 2017, the Remaining Group had capital commitments for property, plant and equipment amounted to approximately HK$21.0 million (FY2016: approximately HK$31.6 million).

Contingent liabilities

As at 31 December 2017, the Remaining Group did not have any contingent liabilities.

Exchange risk exposure and hedging

During FY2017, the Remaining Group was not materially exposed to foreign currency risk.

Significant investments and material acquisitions and/or disposals

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

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

Save for the above disclosed, the Remaining Group did not have any significant investments and material acquisitions and/or disposals of subsidiaries and associated companies during FY2017.

Funding plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plan for material investments or addition of capital assets for FY2017.

Staff and remuneration policy

As at 31 December 2017, the Remaining Group had approximately 334 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK$46.1 million. The Remaining Group's remuneration policies are based on the performance of individual employees and are reviewed regularly.

(iv) FY2016

During FY2016, the Remaining Group's revenue from continuing operations amounted to approximately 356.2 million (Year 2015: approximately HK$1,235.9 million). The decrease in revenue was mainly due to the reduction in revenue contribution from gas segment subsequent to the completion of the disposal of certain gas business in 2015.

The Remaining Group's result attributable to owners of the parent for FY2016 was a loss of approximately HK$589.9 million (Year 2015: loss of approximately HK$655.4 million), the decrease was mainly due to the decrease in administrative expenses during FY2016.

Funding and treasury policy

The Remaining Group's funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group's operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

Operating segments information

i) Finance lease and loan services

During FY2016, the finance lease and loan services segment recorded a revenue of approximately HK$15.2 million (Year 2015: approximately HK$18.0 million), representing a decrease of approximately 15.5% from the previous year as a result of the reducing finance lease interest income.

ii) PPP class 1 land development business

During FY2016, the loss of this segment decreased to approximately HK$8.2 million (Year 2015: approximately HK$10.4 million), mainly due to the increase in revenue and lowered administrative expenses incurred in FY2016.

Liquidity and financial resources

As at 31 December 2016, the Remaining Group had total assets of approximately HK$2,714.8 million and liabilities of approximately HK$1,768.2 million.

Cash position

As at 31 December 2016, the Remaining Group's bank and cash balances were approximately HK$487.3 million. Majority of the Group's bank and cash balances were held in HK$ and RMB.

Borrowings and gearing ratio

As at 31 December 2016, the Remaining Group's equity attributable to owners of the parent amounted to approximately HK$552.0 million. The Remaining Group's borrowings amounted to approximately HK$1,104.9 million, which were mainly denominated in HK$, USD and RMB. Approximately 48.0% of the Remaining Group's borrowings was at fixed rates while the rest was at floating rates. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was approximately 66.7%.

Charge on assets

As at 31 December 2016, the Remaining Group did not have any charge on assets.

Capital commitments

As at 31 December 2016, the Remaining Group had capital commitment for property, plant and equipment amounted to approximately HK$31.6 million (Year 2015: approximately HK$98.9 million).

Contingent liabilities

As at 31 December 2016, the Remaining Group did not have any contingent liabilities.

Exchange risk exposure and hedging

During FY2016, the Remaining Group was not materially exposed to foreign currency risk.

Significant investments and material acquisitions and/or disposals

(i) On 7 October 2016, the Company, Great Concept Investments Holdings Limited ("**Great Concept**") (a direct wholly-owned subsidiary of the Company) as vendor, Best Creation Group Holdings Limited ("**Best Creation**") as purchaser and Sino Gas Holdings Group Limited (中油潔能控股集團有限公司) (an associated company of the Company) ("**Sino Gas BVI**"), entered into an agreement, in relation to (i) the disposal of 40% of the total issued share capital of Sino Gas BVI to Best Creation for a consideration of HK$79,000,000; and (ii) the disposal of the loan in the amount of HK$11,134,480 owed to the Company by China Full Company Limited, a subsidiary of Sino Gas BVI as at the date of the agreement, for a consideration of HK$9,300,000. Details of the said agreement were disclosed in the Company's announcement dated 7 October 2016.

(ii) On 10 October 2016, the Company and Guangzhou Jialian Energy Company Limited* (廣州佳聯能源有限公司) ("**Guangzhou Jialian**") as purchaser entered into a share transfer agreement in relation to the disposal of the entire equity interest in (i) Shandong Sinogas; (ii) Winfield Innovations; and (iii) Anhui Sinogas Company Limited* (安徽中油潔能燃氣有限公司), indirect wholly-owned subsidiaries of the Company, at an aggregate consideration of RMB175,818,678.25. The said share transfer agreement was approved by the Shareholders at the extraordinary general meeting of the Company held on 22 December 2016. However, the said share transfer agreement was terminated on 31 December 2016 (being the long stop date of the said share transfer agreement) as the necessary approvals and consents from the relevant governmental and regulatory authorities for the transactions contemplated under the said share transfer agreement had not been obtained and no agreement was reached by the Company and Guangzhou Jialian to extend the relevant long stop date. Details of the said share transfer agreement were disclosed in the Company's announcements dated 10 October 2016, 25 October 2016, 22 December 2016, 5 January 2017 and the Company's circular dated 18 November 2016.

Save for the above disclosed, the Remaining Group did not have any significant investments and material acquisitions and/or disposals of subsidiaries and associated companies during FY2016.

Funding plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plan for material investments or addition of capital assets for FY2016.

Staff and remuneration policy

As at 31 December 2016, the Remaining Group had approximately 482 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK$47.3 million. The Remaining Group's remuneration policies are based on the performance of individual employees and are reviewed regularly.

The following are illustrative unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows (the "**Unaudited Pro Forma Financial Information**") of AVIC Joy Holdings (HK) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as at 30 June 2019 in connection with the proposed disposal of Shanghai Shangju Enterprise Co., Ltd. and its subsidiary (collectively referred to as the "**Disposal Group**"). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate effects of the disposal of 100% equity interest in Shanghai Shangju (the "**Disposal**") on the financial position of the Group excluding the Disposal Group (the "**Remaining Group**") as if the Disposal had been completed on 30 June 2019 and the financial results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2019.

The unaudited pro forma consolidated statement of financial position is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2019 extracted from the Group's published interim report as at 30 June 2019, after taking into account the pro forma adjustments relating to the Disposal that are directly attributable to the Disposal and not relating to future events or decisions; and factually supportable, as explained in the accompanying notes, as if the Disposal had been completed on 30 June 2019. The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the unaudited consolidated statement of profit or loss, the unaudited consolidated statement of comprehensive income and the unaudited consolidated statement of cash flows of the Group for the period ended 30 June 2019, which have been extracted from the Group's published interim report for the period ended 30 June 2019, after taking into account the pro forma adjustments relating to the Disposal that are directly attributable to the Disposal and not relating to future events or decisions; and factually supportable, as explained in the accompanying notes, as if the Disposal had been completed on 1 January 2019.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group that would have been attained had the Disposal been completed on 30 June 2019 and the financial results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2019 nor purport to predict the Group's future financial position, financial results and cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2019, and other financial information included elsewhere in the circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group
As at 30 June 2019

	The Group (unaudited)	Pro Forma adjustments		The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
NON-CURRENT ASSETS				
Property, plant and equipment	17,968	(262)	—	17,706
Right-of-use assets	10,899	—	—	10,899
Investment properties	1,707,264	(1,687,200)	—	20,064
Goodwill	29,285	—	—	29,285
Intangible assets	540,731	—	—	540,731
Investments in joint ventures	65,606	—	—	65,606
Equity instrument at fair value through other comprehensive income	6,622	—	—	6,622
Other asset	2,680	—	—	2,680
Prepayments and deposits	5,044	(4,560)	—	484
Finance lease receivables	17,937	—	—	17,937
	2,404,036	(1,692,022)	—	712,014
CURRENT ASSETS				
Inventories	11	—	—	11
Contract costs	291,421	—	—	291,421
Trade receivables	27,947	—	—	27,947
Prepayments, deposits and other receivables	49,591	(3,009)	—	46,582
Finance lease receivables	9,203	—	—	9,203
Promissory notes receivable	89,000	—	—	89,000
Amounts due from joint ventures	141,127	—	—	141,127
Bank balances and cash	38,518	(2,350)	346,578	382,746
	646,818	(5,359)	346,578	988,037

	The Group	Pro Forma adjustments		The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
CURRENT LIABILITIES				
Trade payables	8,268	—	—	8,268
Other payables and accruals	116,262	(1,980)	—	114,282
Interest-bearing bank and other borrowings	469,286	(17,632)	—	451,654
Loans from joint ventures	8,736	—	—	8,736
Lease liabilities	2,952	—	—	2,952
Tax payable	3,239	—	—	3,239
Amount due to the Remaining Group, net	—	(702,817)	702,817	—
Total current liabilities	608,743	(722,429)	702,817	589,131
NET CURRENT ASSETS/(LIABILITIES)	38,075	717,070	(356,239)	398,906
TOTAL ASSETS LESS CURRENT LIABILITIES	2,442,111	(974,952)	(356,239)	1,110,920
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	1,151,652	(1,147,068)	—	4,584
Loans from related companies	646,873	—	—	646,873
Loans from non-controlling shareholders	313,424	—	—	313,424
Lease liabilities	1,329	—	—	1,329
Deferred tax liabilities	135,770	—	—	135,770
Total non-current liabilities	2,249,048	(1,147,068)	—	1,101,980
Net assets/(liabilities)	193,063	172,116	(356,239)	8,940
CAPITAL AND RESERVES				
Share capital	2,234,815	—	—	2,234,815
Other reserves	(2,230,958)	172,116	(356,239)	(2,415,081)
Equity attributable to owners of the Company	3,857	172,116	(356,239)	(180,266)
Non-controlling interests	189,206	—	—	189,206
	193,063	172,116	(356,239)	8,940

Unaudited Pro Forma Consolidated Statement of Profit And Loss of the Remaining Group
For the six months ended 30 June 2019

	The Group	Pro Forma adjustments	Pro Forma adjustments	The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 4)	*(Notes 5 & 7)*	*(Note 8)*	
REVENUE				
Goods	32,845	—	—	32,845
Interest	3,969	—	—	3,969
Total revenue	36,814	—	—	36,814
Cost of sales	(22,789)	—	—	(22,789)
Gross profit	14,025	—	—	14,025
Other expenses	(12)	—	—	(12)
Impairment losses under expected credit loss model, net of reversal	(1,244)	—	—	(1,244)
Selling and distribution expenses	(4,758)	—	—	(4,758)
Administrative expenses	(25,188)	7,625	(999)	(18,562)
Other income, gains and losses	1,722	(2,574)	1,762	910
Loss on disposal of subsidiaries	—	(182,199)	—	(182,199)
Share of profits of joint ventures	357	—	—	357
Finance costs	(57,881)	34,655	(2,287)	(25,513)
LOSS BEFORE TAX	(72,979)	(142,493)	(1,524)	(216,996)
Income tax expense	(284)	—	—	(284)
LOSS FOR THE PERIOD	(73,263)	(142,493)	(1,524)	(217,280)
Attributable to:				
Owners of the Company	(69,681)	(142,493)	(1,524)	(213,698)
Non-controlling interests	(3,582)	—	—	(3,582)
	(73,263)	(142,493)	(1,524)	(217,280)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

For the six months ended 30 June 2019

	The Group *HK$'000* *(Note 4)*	Pro Forma adjustments *HK$'000* *(Notes 5 & 7)*	Pro Forma adjustments *HK$'000* *(Note 8)*	The Remaining Group (unaudited) *HK$'000*
LOSS FOR THE PERIOD	(73,263)	(142,493)	(1,524)	(217,280)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:				
Items that will not be reclassified to profit or loss:				
Fair value loss on investment in equity instrument at fair value through other comprehensive income	(10,000)	—	—	(10,000)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	890	685	—	1,575
Reclassification of exchange fluctuation reserve upon disposal of subsidiaries	—	6,816	—	6,816
	890	7,501	—	8,391
Other comprehensive expense for the period	(9,110)	7,501	—	(1,609)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(82,373)	(134,992)	(1,524)	(218,889)
Total comprehensive expense attributable to:				
Owners of the Company	(78,791)	(134,992)	(1,524)	(215,307)
Non-controlling interests	(3,582)	—	—	(3,582)
	(82,373)	(134,992)	(1,524)	(218,889)

Unaudited Pro Forma Consolidated Statement of Cash flows of the Remaining Group
For the six months ended 30 June 2019

	The Group	Pro Forma adjustments	Pro Forma adjustments	The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 6)	*(Notes 5 & 7)*	*(Note 8)*	
OPERATING ACTIVITIES				
Loss before tax	(72,979)	(142,493)	(1,524)	(216,996)
Adjustments for:				
Finance costs	57,881	(34,655)	2,287	25,513
Depreciation of property, plant and equipment	1,966	(2)	—	1,964
Loss on disposal of subsidiaries	—	182,199	—	182,199
Others	1,980	—	(1,762)	218
Operating cash flows before movements in working capital	(11,152)	5,049	(999)	(7,102)
Decrease in prepayments, deposits and other receivables	9,068	643	—	9,711
Increase in other payables and accruals	—	6,421	—	6,421
Decrease in finance lease receivables	4,078	—	—	4,078
Others	14,183	—	—	14,183
Cash generated from operations	16,177	12,113	(999)	27,291
Income tax paid	(271)	—	—	(271)
Net cash from (used in) operating activities	15,906	12,113	(999)	27,020
INVESTING ACTIVITIES				
Advance to related parties	—	(21,341)	21,341	—
Interest received	65	(19)	—	46
Purchases of items of property, plant and equipment	(102)	—	—	(102)
Net proceeds from disposal of subsidiaries	—	346,578	—	346,578
Net cash (used in) from investing activities	(37)	325,218	21,341	346,522

	The Group *HK$'000* *(Note 6)*	Pro Forma adjustments *HK$'000* *(Notes 5 & 7)*	Pro Forma adjustments *HK$'000* *(Note 8)*	The Remaining Group (unaudited) *HK$'000*
FINANCING ACTIVITIES				
Interest paid	(35,368)	33,567	(1,855)	(3,656)
Repayment of bank and other borrowings	(63,234)	3,480	—	(59,754)
Repayment of lease liabilities	(1,935)	—	—	(1,935)
Advance from (repayment to) related companies	82,271	(22,624)	22,624	82,271
Net cash (used in) from financing activities	(18,266)	14,423	20,769	16,926
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,397)	351,754	41,111	390,468
Cash and cash equivalents at 1 January	40,484	(7,580)	—	32,904
Effect of foreign exchange rate changes, net	431	54	—	485
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by: bank balances and cash	38,518	344,228	41,111	423,857

Notes:

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2019 were extracted from the Group's unaudited consolidated financial statements for the six months ended 30 June 2019 in the Group's published interim report for the six months ended 30 June 2019.

2. The adjustment reflects the exclusion of the assets and liabilities of the Disposal Group as if the Disposal had been completed on 30 June 2019. The assets and liabilities for the Disposal Group as at 30 June 2019 have been extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 30 June 2019 as set out in Appendix II to this circular.

	HK$'000	*HK$'000*
Total non-current assets as set out in Appendix II to this circular		1,692,022
Total current assets as set out in Appendix II to this circular		77,859
		1,769,881
Total non-current liabilities as set out in Appendix II to this circular		1,147,068
Total current liabilities as set out in Appendix II to this circular		794,929
		1,941,997
Less: Amounts due from the related companies as set out in Appendix II to this circular	72,500	
Amounts due to the related companies as set out in Appendix II to this circular	(775,317)	
Net amount due to the Remaining Group for the purpose of exclusion of assets and liabilities		(702,817)
		530,701

The adjustment is not expected to have a continuing effect on the Remaining Group.

3. The adjustment represents (i) the estimated gross proceeds of HK$375 million being the consideration of the disposal of the 100% equity interest in Shanghai Shangju and offsetting part of the shareholder's loan owed by the Disposal Group to the Group (the "**Shareholder's Loan**"); (ii) the estimated transaction costs directly attributable to the Disposal of HK$28.5 million; and (iii) the estimated loss on the Disposal of HK$190 million as if the Disposal had been completed on 30 June 2019.

The calculation of the estimated loss on the Disposal to be recognised in profit or loss, as if the disposal of the Disposal Group had been completed on 30 June 2019, is as follows:

	Notes	*HK$'000*
Consideration for the Disposal	(i)	375,060
Disposal of the Shareholder's Loan	(ii)	(702,817)
De-recognition of the net liabilities of the Disposal Group as at 30 June 2019	(iii)	172,116
Cumulative exchange differences of the Disposal Group recycled to profit or loss	(iv)	(5,991)
Estimated transaction costs	(v)	(28,482)
Loss on the Disposal as if the Disposal had been completed on 30 June 2019, net of estimated transaction costs		(190,114)

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

	HK$'000
Cash receipt upon the disposal	375,060
Less: estimated transaction costs	(28,482)
	346,578

Notes:

(i) The amount represents the minimum bidding price for the Disposal of RMB329 million (equivalent to HK$375 million).

The exchange rates of HK$1.00 to RMB1.14 were used by the Group, as if the Disposal had been completed on 30 June 2019. Such exchange rate has been used, where applicable, for the purpose of pro forma only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates at all.

(ii) The amount represents the net outstanding amount of the Shareholder's Loan as at 30 June 2019. The Shareholder's Loan is partly offset by the consideration and the remaining Shareholder's Loan is waived.

(iii) The amount of net liabilities of the Disposal Group represents the amount of HK$172 million extracted from the consolidated statement of financial position of the Disposal Group as at 30 June 2019, set out in Appendix II to this circular.

(iv) The amount represents the cumulative exchange differences on the translation of foreign operations of the Disposal Group to be released to profit or loss as if the disposal of the Disposal Group had been completed on 30 June 2019.

(v) The transaction costs represent professional fee directly attributable to the Disposal which are estimated to be HK$28.5 million and it is assumed that the fees will be settled by cash.

Actual gain/loss on disposal arising from the Disposal depends on actual proceeds from the Disposal, actual amount of net liabilities of the Disposal Group, actual amount of exchange fluctuation reserve of the Disposal Group to be released to profit or loss and actual amount of transaction costs on the completion date. Therefore, the actual gain/loss on disposal shall be different from the amount calculated in the above table.

4. The unaudited consolidated statement of profit or loss and unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2019 were extracted from the Group's unaudited consolidated financial statements for the six months ended 30 June 2019 in the Group's published interim report for the six months ended 30 June 2019.

5. The adjustment represents (i) estimated gross proceeds of HK$375 million being the consideration of the disposal of the 100% equity interest in Shanghai Shangju and offsetting part of the Shareholder's Loan, (ii) the estimated transaction costs directly attributable to the disposal of HK$28.5 million; (iii) the estimated loss on the Disposal of HK$118 million as if the Disposal had been completed on 1 January 2019.

The calculation of the estimated loss on the Disposal to be recognised in profit or loss, as if the Disposal had been completed on 1 January 2019, is as follows:

	Notes	*HK$'000*
Consideration for the Disposal	(i)	375,060
Disposal of the Shareholder's Loan	(ii)	(655,056)
De-recognition of the net liabilities of the Disposal Group as at 1 January 2019	(iii)	133,095
Cumulative exchange differences of the Disposal Group recycled to profit or loss	(iv)	(6,816)
Estimated transaction costs	(v)	(28,482)
Loss on the Disposal as if the Disposal had been completed on 1 January 2019, net of estimated transaction costs		(182,199)

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

	HK$'000
Cash receipt upon the disposal	375,060
Less: estimated transaction costs	(28,482)
	346,578

Notes:

(i) The amount represents the minimum bidding price for the Disposal of RMB329 million (equivalent to HK$375 million).

The exchange rates of HK$1.00 to RMB1.14 were used by the Group, as if the Disposed had been completed on 1 January 2019. Such exchange rate has been used when applicable, for the purpose of pro forma only and does not constitute a representation that any amount was, may have been or will be exchanged at such rate or any other rates at all.

(ii) The amount represents the net outstanding amount of the Shareholder's Loan as at 1 January 2019, The Shareholder's Loan is partly offset by the consideration and the remaining Shareholder's Loan is waived.

(iii) The amount of net liabilities of the Disposal Group represents the amount of HK$133 million extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2018, set out in Appendix II to this circular.

(iv) The amount represents the cumulative exchange differences on the translation of foreign operations of the Disposal Group to be recycled to profit or loss as if the Disposal had been completed on 1 January 2019.

(v) The transaction costs represent professional fee directly attributable to the Disposal which are estimated to be HK$28.5 million and it is assumed that the fees will be settled by cash.

Actual gain/loss on disposal arising from the Disposal depends on actual proceeds from the Disposal, actual amount of net liabilities of the Disposal Group, actual amount of exchange fluctuation reserve of the Disposal Group to be released to profit or loss and actual amount of transaction costs on the completion date. Therefore, the actual gain/loss on Disposal shall be different to the amount calculated in the above table.

6. The unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2019 was extracted from the Group's consolidated financial statements for the six months ended 30 June 2019 in the Group's published interim report for the six months ended 30 June 2019.

7. The adjustment reflects the exclusion of the profit or loss, other comprehensive income and cash flows of the Disposal Group for the six months ended 30 June 2019, which was extracted from the unaudited consolidated financial statements of the Disposal Group for the six months ended 30 June 2019 as set out in Appendix II to this circular.

8. The adjustments reflect the reinstatement of the transactions and cash flows with the Remaining Group recognised by the Group and previously being eliminated on the financial performance and cash flows of the Group during the six months ended 30 June 2019.

9. The unaudited pro forma financial information of the Remaining Group does not reflect the effect of the major and connected transaction involving the disposal of the entire issued share capital of Crystal Concept Investments Limited as set out in the circular of the Company dated 28 August 2019.

10. The pro forma adjustments in the unaudited pro forma financial information of the Remaining Group are not expected to have a continuing effect on the Remaining Group.

11. No other adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit and loss, unaudited pro forma consolidated statement of comprehensive income, unaudited pro forma consolidated statement of cash flows of the Remaining Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2019.

The following is the text of a report of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of AVIC Joy Holdings (HK) Limited

We have completed our assurance engagement to report on the compilation of unaudited 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 (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2019, the unaudited pro forma statement of profit or loss for the six months ended 30 June 2019, the unaudited pro forma statement of comprehensive income for the six months ended 30 June 2019, the unaudited pro forma statement of cash flows for the six months ended 30 June 2019 and related notes as set out on pages IV-1 to IV-11 of the circular issued by the Company dated 12 December 2019 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-11 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of 100% equity interest in Shanghai Shangju Enterprise Company Limited (the "**Disposal Company**") and its subsidiary (collectively referred to as the "**Disposal Group**") on the Group's financial position as at 30 June 2019 and the Group's financial performance and cash flows for the six months ended 30 June 2019 as if the transaction had taken place at 30 June 2019 and 1 January 2019 respectively. 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 condensed consolidated financial statements for the six months ended 30 June 2019, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 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 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

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.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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.

The purpose of unaudited pro forma financial information included in an investment 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 30 June 2019 or 1 January 2019 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 unaudited 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 accountants' judgment, having regard to the reporting accountants' 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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 12 December 2019

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer and consultant, in connection with its valuation as at 30 September 2019 of the property interests to be disposed by the Group.

22/F, China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

12 December 2019

AVIC Joy Holdings (HK) Limited
Room A02,
35/F., United Centre,
95 Queensway, Hong Kong

Dear Sir/Madam,

Re: Various Properties in the People's Republic of China

In accordance with your instructions for us to value the properties held by AVIC Joy Holdings (HK) Limited (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2019 (the "**Date of Valuation**") for public documentation purpose.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGIES

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. Comparison is based on the considerations realized on actual transactions of comparable properties. Comparable properties with similar sizes, characters and locations are analyzed and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

Direct Comparison approach is considered as the most appropriate method of valuation when comparable information is adequate. Comparable properties of similar nature, character and location are analyzed. Adjustments will be applied to the said comparable properties.

3. TITLE INVESTIGATION

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. We have relied on the information given by the Group and advice given by its PRC legal advisor — Jia Yuan Law Offices (嘉源律師事務所), regarding the titles of the properties in the PRC. All documents have been used for reference only.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/ purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

7. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 20 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 12 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

Property interests held by the Group for investment in the PRC

No.	Property	Market Value in Existing State as at 30 September 2019
1.	Block B, Tower 17, International Shipping Service Center, No.18 Gong Ping Road, Shanghai, the PRC 中國上海 公平路18號 上海國際航運服務中心 17號樓B座	RMB1,318,000,000
2.	Rooms 101 to 106, Xinhua Jiali Apartment, Nos.1, 2, 3 on Lane 699, Xinhua Road, Changning District, Shanghai, the PRC 中國上海 長寧區新華路 699弄1、2、3號 新華嘉利公寓 101至106室	RMB24,500,000
3.	Rooms 201 to 208, Xinhua Jiali Apartment, Nos.1, 2, 3 on Lane 699, Xinhua Road, Changning District, Shanghai, the PRC 中國上海 長寧區新華路 699弄1、2、3號 新華嘉利公寓 201至208室	RMB14,000,000
	Total:	**RMB1,356,500,000**

VALUATION CERTIFICATE

Property interests held by the Group for investment in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2019
1.	Block B, Tower 17, International Shipping Service Center, No.18 Gong Ping Road, Shanghai, the PRC 中國上海 公平路18號 上海國際航運服務中心 17號樓B座	The property is a 10-storey office building with three basement levels completed in about 2013. The property comprises office units on Basement level 1 and level 2 to 10, two retail units on level 1, and 145 car parking spaces located in basement levels. The property has a total gross floor area of about 24,379.01 sq.m. The land use rights of the property have been granted for terms expiring on 9 November 2064 for office use and 9 November 2054 for commercial use.	As advised by the Group, the property was vacant as at the Date of Valuation	RMB1,318,000,000

Notes:

1. Pursuant to 14 Shanghai Certificate of Real Estate Ownership, Hu Fang Di Hong Zi (2015) Nos. 007249-007262 (滬房地長字(2015)第007249至007262號), dated 30 June 2015, the property with a total gross floor area of 24,379.01 sq.m. have been granted to Shanghai Shangju Enterprise Co., Ltd (上海商聚實業有限公司) ("**Shanghai Shangju**") and Shanghai Yunsheung International Trading Co., Ltd. (上海匀盛國際貿易有限公司) ("**Shanghai Yunsheung**") for office and commercial uses.

2. Pursuant to a Mortgage Contract of Maximum Amount — No.10172006668201 dated 26 June 2017, the property with a total gross floor area 6,437.73 sq.m. is subject to a mortgage in favour of Shanghai Hongkou Branch — ICBC Bank Company Limited (中國工商銀行股份有限公司上海市虹口支行), as security to guarantee the principal obligation under a contracts for a maximum amount of RMB282,500,000 with the security term from 26 June 2017 to 26 June 2032.

3. Pursuant to a Mortgage Contract of Maximum Amount — No.10172006667201 dated 26 June 2017, the property with a total gross floor area 8,564.54 sq.m. is subject to a mortgage in favour of Shanghai Hongkou Branch — ICBC Bank Company Limited (中國工商銀行股份有限公司上海市虹口支行), as security to guarantee the principal obligation under a contracts for a maximum amount of RMB383,000,000 with the security term from 26 June 2017 to 26 June 2032.

4. Pursuant to a Mortgage Contract of Maximum Amount — No.10172006666201 dated 26 June 2017, the property with a total gross floor area 9,376.74 sq.m. is subject to a mortgage in favour of Shanghai Hongkou Branch — ICBC Bank Company Limited (中國工商銀行股份有限公司上海市虹口支行), as security to guarantee the principal obligation under a contracts for a maximum amount of RMB384,500,000 with the security term from 26 June 2017 to 26 June 2032.

5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information, subject to certain conditions and assumptions:

   a. Shanghai Shangju is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services have been settled in full;

   c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and

   d. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

6. Shanghai Shangju and Shanghai Yunsheng are wholly-owned subsidiaries of the Company.

7. Our inspection was performed by Jeffrey Wong, MSc, with 6 years valuation experience, in November 2019.

8. The property situates in Hongkou District which is a northern urban core of Shanghai city. The vicinity mainly consist various commercial developments including office towers and shopping malls. Public transportation such as metro and bus are readily available.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2019
2.	Rooms 101 to 106, Xinhua Jiali Apartment, Nos.1, 2, 3 on Lane 699, Xinhua Road, Changning District, Shanghai, the PRC 中國上海 長寧區新華路 699弄1、2、3號 新華嘉利公寓 101至106室	The property comprises six retail units on the 1st floor of a 17-storey residential building completed in about 2000. The property has a total gross floor area of about 1,215.81 sq.m.. The land use rights of the property have been granted for residential use.	As advised by the Group, the property is subject to two tenancy agreements, both have an expiry date as at 31 October 2020 with a total monthly rental of RMB109,061 exclusive of outgoings.	RMB24,500,000

Notes:

1. Pursuant to 5 Shanghai Certificate of Real Estate Ownership, Hu Fang Di Chang Zi (2012) Nos. 011601, 011602, 011717, 011718 and 011719 (滬房地長字(2012)第011601、011602、011717、011718及011719號), dated 17 November 2012 and 19 November 2012, the property with a total gross floor area of 1,215.81 sq.m. have been granted to Shanghai Shangju Enterprise Co., Ltd. (上海商聚實業有限公司) ("**Shanghai Shangju**") for retail use.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information, subject to certain conditions and assumptions:

   a. Shanghai Shangju is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services have been settled in full;

   c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and

   d. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

3. Shanghai Shangju is a wholly-owned subsidiary of the Company.

4. Our inspection was performed by Jeffrey Wong, MSc, with 6 years valuation experience in November 2019.

5. The property situates in Changning District which is a district in western Shanghai city. The vicinity mainly consist residential developments and recreational facilities. Public transportation such as metro and bus are readily available.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2019
3.	Rooms 201 to 208, Xinhua Jiali Apartment, Nos.1, 2, 3 on Lane 699, Xinhua Road, Changning District, Shanghai, the PRC 中國上海長寧區新華路699弄1、2、3號新華嘉利公寓201至208室	The property comprises eight retail units on the 2nd floor of a 17-storey residential building completed in about 2000. The property has a total gross floor area of about 1,093.66 sq.m.. The land use rights of the property have been granted for residential use.	As advised by the Group, the property was vacant as at the Date of Valuation.	RMB14,000,000

Notes:

1. Pursuant to 8 Shanghai Certificate of Real Estate Ownership, Hu Fang Di Chang Zi (2014) Nos. 004821-004828 (滬房地長字(2014)第004821至004828號), dated 21 April 2014, the property with a total gross floor area of 1,093.66 sq.m. have been granted to Shanghai Shangju Enterprise Co., Ltd (上海勻盛國際貿易有限公司) ("**Shanghai Shangju**") for retail use.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information, subject to certain conditions and assumptions:

   a. Shanghai Shangju is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services have been settled in full;

   c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and

   d. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

3. Shanghai Shangju is a wholly-owned subsidiary of the Company.

4. Our inspection was performed by Jeffrey Wong, MSc, with 6 years valuation experience in November 2019.

5. The property situates in Changning District which is a district in western Shanghai city. The vicinity mainly consist residential developments and recreational facilities. Public transportation such as metro and bus are readily available.

1. 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, there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "**Model Code**") were as follows:

Long positions in the Shares

	Number of Shares held, capacity and nature of interests		Approximate percentage of the Company's issued Shares
Name of Director	**Personal interest**	**Total**	
Guan Liqun	6,170,000	6,170,000	0.1%

As at the Latest Practicable Date, save as disclosed above, none of the Directors and the chief executive of the Company had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' Interests

As at the Latest Practicable Date, so far as is known to any Directors or the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	*Notes*	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Approximate percentage of the Company's issued shares
Billirich Investment Limited ("**Billirich**")	(a)	Long	Beneficial owner	1,031,595,000	17.36%
AVIC International Holding (HK) Limited ("**AVIC Int'l (HK)**")	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%
Tacko International Limited	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of controlled corporation	1,535,618,891	25.84%
AVIC Joy Air Holdings Limited	(b)	Long	Beneficial owner	60,810,000	1.02%
AVIC Joy Air (HK) Group Limited	(b)	Long	Interest of controlled corporation	60,810,000	1.02%
AVIC Joy Air Co., Ltd.	(b)	Long	Interest of controlled corporation	60,810,000	1.02%
AVIC International Holding Corporation	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%
Aviation Industry Corporation of China, Ltd. ("**AVIC**")	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%
Grand Win Overseas Ltd. ("**Grand Win**")	(c)	Long	Beneficial owner	313,965,000	5.28%
Sun Shining Investment Corp.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%
Tai Yuen Textile Company Ltd.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%

Notes:

(a) Billirich is a wholly-owned subsidiary of AVIC Int'l (HK). Tacko International Limited, together with its wholly-owned subsidiary, hold in aggregate approximately 34.34% of the issued share capital of AVIC Int'l (HK). Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a 91.13% owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the Shares held by Billirich.

(b) AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC Joy Air Co., Ltd. AVIC Joy Air Co., Ltd. is owned as to approximately 57.14% by AVIC and as to approximately 42.86% by AVIC International Holding Corporation, which is a 91.13% owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the Shares held by AVIC Joy Air Holdings Limited.

(c) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns approximately 82.85% equity interest in Sun Shining Investment Corp. and therefore, these corporations are deemed to be interested in the Shares held by Grand Win.

Save as disclosed above, as at the Latest Practicable Date, so far as known to any Director or the chief executive of the Company, no other person (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares or underlying Shares which were recorded in the register kept by the Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' COMPETING INTEREST

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors nor their respective close associates was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

7. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have been named in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants
Roma Appraisals Limited	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which since 31 December 2018, the date up to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(i) a loan agreement entered into between the Company and CATIC International, pursuant to which CATIC International agreed to provide the Company with an unsecured facility in the amount of RMB12,530,000 until 11 January 2019, terms as defined and details as disclosed in the announcement of the Company dated 15 January 2018;

(ii) a loan agreement entered into between the Company and CATIC International, pursuant to which CATIC International agreed to provide the Company with an unsecured facility in the amount of RMB52,293,630.72 until 4 November 2018, terms as defined and details as disclosed in the announcement of the Company dated 5 March 2018;

(iii) an equity transfer agreement dated 11 April 2018 entered into among the Company, Jetco Innovations, Shandong Sinogas and Shandong Rui Bang, pursuant to which, the Company conditionally agreed to sell or procure its subsidiaries to sell and Shandong Rui Bang conditionally agreed to purchase (i) 100% of the issued share capital in Jetco Innovations, which held 50% of the equity interest in Shandong Sinogas; (ii) 50% of the equity interest in Shandong Sinogas held by Shenzhen Sinogas; and (iii) the debt for the consideration of RMB25,500,000, terms as defined and details as disclosed in the announcement of the Company dated 11 April 2018;

(iv) a deed of replacement dated 12 October 2018 entered into between Ontex and Kingfun, pursuant to which Kingfun issued a promissory note with a principal amount of HK$89,000,000 to Ontex in replacement of the 2.15% promissory note in the principal amount of HK$89,000,000 issued by Kingfun to Ontex due on 15 June 2018, terms as defined and details as disclosed in the announcement of the Company dated 12 October 2018;

(v) an equity transfer agreement dated 25 October 2018 entered into among the Company, Winfield Innovations, Chengdu Tongneng and Sinogas Chengdu, pursuant to which, Winfield Innovations conditionally agreed to sell and Chengdu Tongneng conditionally agreed to purchase, 52.51% of equity interest in Sinogas Chengdu and the debt owed by Sinogas Chengdu to Shenzhen Sinogas for the consideration of RMB34,000,000, terms as defined and details as disclosed in the announcement of the Company dated 25 October 2018;

(vi) a share transfer agreement dated 15 November 2018 entered into among the Company, Dynamic Spring, Sinogas Gas Hong Kong and Lucky Success, pursuant to which, (i) the Company conditionally agreed to sell and Dynamic Spring conditionally agreed to purchase the 1 issued ordinary share of Sinogas Hong Kong and 100 issued ordinary shares of Lucky Success, representing the entire issued share capital of each of Sinogas Hong Kong and Lucky Success, at the consideration of RMB14,000,000; and (ii) the debts owed by the Group (excluding the disposed companies) to the disposed companies in the aggregate amount of RMB1,340,987.49 shall be waived, terms as defined and details as disclosed in the announcement of the Company dated 15 November 2018;

(vii) a transfer agreement dated 17 April 2019 entered into between Guangdong Ziyutai and Tianjin Jizhou Hospital, pursuant to which Guangdong Ziyutai agreed to purchase certain medical equipment and apparatus from Tianjin Jizhou Hospital, at the consideration of RMB50,000,000, terms as defined and details as disclosed in the announcement of the Company dated 17 April 2019;

(viii) a finance lease agreement dated 17 April 2019 entered into between Tianjin Jizhou Hospital and Guangdong Ziyutai, pursuant to which Guangdong Ziyutai agreed to lease back the aforesaid certain medical equipment and apparatus to Tianjin Jizhou Hospital for a term of three years, to be payable in 12 quarterly installments, at a total lease payment in the amount of approximately RMB57,959,675.52, terms as defined and details as disclosed in the announcement of the Company dated 17 April 2019;

(ix) a share transfer agreement dated 12 July 2019 entered into among the Company, Crystal Concept, Favour King and Winfield Innovations, pursuant to which, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the entire issued share capital of Crystal Concept, at a consideration of RMB35,840,000. The completion of the said share transfer agreement is subject to, among other things, the approval from the Shareholders at a general meeting in respect of the said share transfer agreement and the transactions contemplated thereunder. On 12 September 2019, the resolution regarding the said share transfer agreement and the transactions contemplated thereunder was duly passed as an ordinary resolution of the Company at the general meeting of the Company. For details (including the above defined terms), please refer to the announcements of the Company dated 12 July 2019 and 12 September 2019 and the circular of the Company dated 28 August 2019;

(x) a purchase agreement dated 27 November 2019 entered into among Guangdong Ziyutai, Runda Medical and Runda Rongjia, pursuant to which Guangdong Ziyutai agreed to purchase certain medical equipment and apparatus from Runda Medical and Runda Rongjia, at the consideration of RMB12,000,000, terms as defined and details as disclosed in the announcement of the Company dated 27 November 2019;

(xi) a finance lease agreement dated 27 November 2019 entered into among Guangdong Ziyutai, Runda Medical and Runda Rongjia, pursuant to which Guangdong Ziyutai agreed to lease back the said medical equipment and apparatus to Runda Medical and Runda Rongjia for a term of one year, at a total payment in the amount of approximately RMB12,958,500, terms as defined and details as disclosed in the announcement of the Company dated 27 November 2019;

(xii) a purchase agreement dated 29 November 2019 entered into among Guangdong Ziyutai, Zhongshan Shixing and Hubei Munianhua, pursuant to which Guangdong Ziyutai agreed to purchase certain equipment and apparatus from Zhongshan Shixing and Hubei Munianhua, at the consideration of RMB45,000,000, terms as defined and details as disclosed in the announcement of the Company dated 29 November 2019; and

(xiii) a finance lease agreement dated 29 November 2019 entered into among Guangdong Ziyutai, Zhongshan Shixing and Hubei Munianhua, pursuant to which Guangdong Ziyutai agreed to lease back the said equipment and apparatus to Zhongshan Shixing and Hubei Munianhua for a term of three years, at a total lease payment in the amount of approximately RMB49,283,538.67 to be payable in 36 monthly installment, terms as defined and details as disclosed in the announcement of the Company dated 29 November 2019.

9. LITIGATION

As at the Latest Practicable Date, save as disclosed in the "Letter from the Board" of this circular, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Cheung Hoi Fun, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(b) The registered office and the principal place of business of the Company is at Room A02, 35/F., United Centre, 95 Queensway, Hong Kong.

(c) The share registrar of the Company is Tricor Tengis Limited.

(d) The English text of this circular shall prevail over its Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room A02, 35/F., United Centre, 95 Queensway, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the GM:

(a) the articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 4 to 13 of this circular;

(c) the annual reports of the Company for each of the two years ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

(d) the unaudited consolidated financial information of Shanghai Shangju Group reviewed by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;

(e) the letter on the unaudited pro forma financial information of the Remaining Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular;

(f) the valuation report issued by Roma Appraisals Limited, the text of which is set out in Appendix V to this circular;

(g) the material contracts referred to in the paragraph headed "8. Material Contracts" in this appendix;

(h) a copy of each circular of the Company issued pursuant to Chapter 14 and/or Chapter 14A of the Listing Rules since the latest published audited accounts of the Company; and

(i) this circular.

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 GENERAL MEETING

NOTICE IS HEREBY GIVEN that the general meeting (the "**GM**") of AVIC Joy Holdings (HK) Limited (the "**Company**") will be held at Unit 1804A, 18/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 31 December 2019 at 9:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the Company be and is hereby authorised to dispose of the 100% equity interest in Shanghai Shangju Enterprise Co., Ltd.* (上海商聚實業有限公司) by way of public tender through Shanghai United Assets and Equity Exchange Co., Ltd. (上海聯合產權交易所有限公司) (or such other equity exchange as subsequently determined by the Board), in accordance with the major terms as delineated in the announcement of the Company dated 14 November 2019 and the circular dated 12 December 2019 despatched by the Company (the "**Proposed Disposal**") and the transactions contemplated under such Proposed Disposal be and are hereby approved, ratified and confirmed; and

(b) any director of the Company be and is hereby granted in advance the general mandate (the "**Proposed Mandate**") to proceed with the Proposed Disposal and should there be a successful bidder, to complete the Proposed Disposal and to exercise all the powers of the Company and to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Proposed Disposal."

For and on behalf of the Board of
AVIC Joy Holdings (HK) Limited
GUAN Liqun
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 12 December 2019

Registered office and principal place of business:
Room A02, 35/F., United Centre, 95 Queensway, Hong Kong.

Notes:

1. A member entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the GM to represent the member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In the case of joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) 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 shares of the Company.

3. A form of proxy for use at the GM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, with the Company at the share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the GM or any adjournment thereof, should he so wish.

4. To ascertain the entitlements to attend and vote at the GM, members must lodge the relevant transfer document(s) and share certificates with the share registrar of the Company no later than 4:30 p.m. on Friday, 20 December 2019 for registration.

5. Any vote of members (attending in person or by proxy) at the GM shall be taken by poll.

As of the date of this notice, the Board comprises Mr. GUAN Liqun (Chairman and Chief Executive Officer), Mr. ZHANG Zhibiao, Ms. WANG Ying and Ms. MU Yan as executive Directors; and Mr. JIANG Ping, Ms. WU Rui and Mr. GUO Wei as independent non-executive Directors.

* *For identification purposes only*