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AVIC Joy Holdings (HK) Limited

幸福控股(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 260)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE SALE SHARES AND
SALE ACCOUNTS RECEIVABLES**

THE DISPOSAL

On 28 May 2024, the Company, Tongda Environmental and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (i) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares A; (ii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares B; (iii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables A; and (iv) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables B, by a total consideration of HK\$28,000,000.

On 12 June 2024, the Company, Tongda Environmental and the Purchaser entered into the Extension Letter to extend the payment date of the Initial Deposit to on or before 20 June 2024. Save as disclosed, all other terms and conditions of the Sale and Purchase Agreement remain unchanged and continue to be in full force and effect.

LISTING RULES IMPLICATIONS

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

GENERAL

An EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Voting by the Shareholders at the EGM will be taken by poll. To the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the proposed resolution(s) approving the Sale and Purchase Agreement at the EGM.

A circular containing, amongst other things, (a) further information in relation to the Disposal; and (b) the notice of the EGM and the proxy forms will be despatched to the Shareholders on or before 19 July 2024.

Completion is subject to and conditional upon the fulfilment of the terms and conditions precedent set out in the Sale and Purchase Agreement and the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

BACKGROUND

On 28 May 2024, the Company, Tongda Environmental and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (i) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares A; (ii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares B; (iii) the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables A; and (iv) Tongda Environmental has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Accounts Receivables B, by a total consideration of HK\$28,000,000.

On 12 June 2024, the Company, Tongda Environmental and the Purchaser entered into the Extension Letter to extend the payment date of the Initial Deposit to on or before 20 June 2024. Save as disclosed, all other terms and conditions of the Sale and Purchase Agreement remain unchanged and continue to be in full force and effect.

THE SALE AND PURCHASE AGREEMENT

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

Date: 28 May 2024

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

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

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

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

(1) HK\$2,000,000 (the “**Initial Deposit**”) shall be payable to Tongda Environmental or its nominee within seven (7) Business Days after signing of the Sale and Purchase Agreement, and as extended to on or before 20 June 2024 by way of the Extension Letter since additional time is required for the Purchaser to arrange payment of the Initial Deposit to Tongda Environmental;

- (2) HK\$6,000,000 (the “**Second Deposit**”) shall be payable to Tongda Environmental or its nominee on the first Business Day after fulfilment of clause (a) of conditions precedent as set out in the section headed “Conditions precedent” below;
- (3) HK\$10,000,000 (the “**Third Deposit**”, together with the Initial Deposit and Second Deposit, the “**Deposits**”) shall be payable to Tongda Environmental or its nominee within thirty (30) Business Day after receipt of the Second Deposit; and
- (4) the remaining HK\$10,000,000 (i.e. HK\$2 to the Company or its nominee and HK\$9,999,998 to Tongda Environmental or its nominee) shall be payable after Completion and on or before 31 December 2024.

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

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

Conditions precedent

Completion shall be conditional upon and subject to:

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

- (c) all necessary consents and approvals to be obtained on the part of the Purchaser in respect of the Disposal having been obtained.

None of the conditions above can be waived. If the conditions set out above have not been satisfied on or before the Long Stop Date, or such later date as the Vendors and the Purchaser may agree in writing, the Sale and Purchase Agreement shall cease and determine and the Vendors shall return the Deposits (without interest) to the Purchaser as soon as possible thereafter, and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

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

INFORMATION ON THE PARTIES

The Company

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

Tongda Environmental

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

Jia Lian International

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

Excellent Top

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

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

The Purchaser

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

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

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

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

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

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

For reasons as set out in the section headed “Reasons for and benefits of the Disposal” below, the Company was unable to have access to the financial, legal and administration records of Jia Lian Group for the six months ended 31 December 2022 and the year ended 31 December 2023. Therefore, no share of profits of joint ventures figure has been obtained from Jia Lian Group for the years ended 31 December 2022 and 2023, while the share of profits of joint ventures figure for the year ended 31 December 2022 only represents the share of results of joint ventures for the six months ended 30 June 2022.

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

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

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

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

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

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

FINANCIAL EFFECTS OF THE DISPOSAL

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

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

The Consideration of HK\$28 million was arrived at arm's length negotiations between the Vendors and the Purchaser having considered the following:

- (i) in respect of Jia Lian Group, the LED business segment of Jia Lian Group recorded net asset value of approximately HK\$191 million as at 31 December 2021 and account receivables of approximately HK\$107.2 million as at 31 December 2023, and the Sale Shares A owned by the Company represents 45% of equity interest of Jia Lian International. Assuming the business continues as ordinary and without any substantial change, the value of the Sale Shares A would be approximately HK\$86.0 million, before taking into account any discount factors in relation to lack of control and marketability;
- (ii) in respect of certain account receivables amounted to approximately HK\$59 million owed by Jia Lian Group to Guangdong Zi Yu Tai Finance Leasing Company Limited, the management have considered such account receivables are generally not recoverable due to the expiry of limitation period for initiating legal actions against the Jia Lian Group, the time and cost for recovering the remaining account receivables are uncertain, and the loss of control of Jia Lian Group (details of which are set out under the section headed "Reasons for and benefits of the Disposal" below);

- (iii) in respect of the PPP Project Group, having considered that the development of the PPP Project has been suspended since 2018, and the petition and subsequently the appeal filed by the Group has been dismissed by the courts (details of which are set out under the section headed “Reasons for and benefits of the Disposal” below), the management considers that the chance of continuing the PPP Project and realising the investment in the PPP Project Group are unlikely; and
- (iv) the Group have already spent substantive time and cost in attempting to resolve the inability to access the books and records of the Disposal Group, and it is expected that additional time, costs, resources, legal expenses as well as effort of the management of the Group will incur if the Disposal Group is retained. The Disposal, if completed, can thus save time and resources of the Group and the Group can focus on its operation and development. In addition, upon completion of the Disposal, the Disclaimer of Opinion will be removed, which enables the Company in fulfilling part of the resumption guidance set by the Stock Exchange.

As such, the Board is of the view that the Consideration is fair and reasonable and on normal commercial terms.

Upon Completion, (i) approximately HK\$65 million of loss on disposal in relation to Jia Lian Group, based on the Consideration attributable to Jia Lian International of HK\$27,999,997 minus the estimated related expenses of the Disposal of approximately HK\$1 million and the net assets value of Jia Lian Group of approximately HK\$92 million as at 31 December 2023 (which includes net assets value of Jia Lian Group as at 31 December 2023 with reference to the net assets value of Jia Lian Group as at 30 June 2022 with the then exchange rate); (ii) approximately HK\$19.5 million of loss on disposal in relation to Excellent Top and its subsidiaries, based on the Consideration attributable to Excellent Top of HK\$1 and the net assets value of Excellent Top and its subsidiaries of approximately HK\$19.5 million as at 31 December 2023 (which includes net liabilities value of AVIC Fujian and its subsidiary of approximately HK\$2 million as at 31 December 2023 with reference to the net assets value of AVIC Fujian and its subsidiary as at 30 June 2022 with the then exchange rate); and (iii) approximately HK\$107.2 million of loss on disposal in relation to amounts due from Disposal Group, based on the Consideration attributable of HK\$2 and the carrying amounts of Sale Accounts receivables as at 31 December 2023, are expected to be recognised to the Group.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

References are also made to (i) the announcements of the Company dated 28 February 2023, 25 May 2023, 24 August 2023, 27 November 2023, 28 February 2024 and 28 May 2024, in relation to, among others, the quarterly update on suspension of trading of shares of the Company (the “**Quarterly Update Announcements**”) and (ii) the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”).

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

In respect of the PPP Project Group, the development of the PPP Project has been suspended since 2018 due to the changes in relevant domestic laws and regulations and changes in the government’s attitude towards the PPP Project. Although the Group had filed a lawsuit against the Fuqing Municipal People’s Government aiming to continue the execution of the land development project in relation to the PPP Project in May 2018, the petition and subsequently the appeal filed by the Group were dismissed. Please refer to the Annual Report and the announcement of the Company dated 31 January 2023 for details of the aforesaid litigation. Due to the aforesaid circumstance which is outside of the Company’s control, no revenue or profit has been generated from the PPP Project since 2018 and the Board is of the view that the possibility of re-commencing the development of the PPP Project is unlikely. Since 2022, the Group had repeatedly requested two of its subsidiaries, i.e. AVIC Fujian and its subsidiary for the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022 but in vain. Therefore, on 20 September 2023, the Group filed a lawsuit with the Fuzhou Gulou District People’s Court in Fujian Province to request AVIC Fujian and its subsidiary to provide its accounting books and records. On 26 December 2023, the Fuzhou Gulou District People’s Court has issued a judgment to order AVIC Fujian and its subsidiary to provide its accounting books and records to the Group within 20 days after the effective date of judgment. AVIC Fujian filed the appeal in March 2024 to the Fuzhou Intermediate People’s Court in Fujian Province (“**Intermediate People Court**”) to set aside the judgment. On 10 April 2024, the Intermediate People Court dismissed the appeal and the original judgment was upheld. The Group is in the progress in enforcing court judgments to obtain the accounting books and records in respect of the AVIC Fujian and its subsidiary for each of the years ended 31 December 2023 and 2022. Up to the date of this announcement, the accounting books and records in respect of the AVIC Fujian and its subsidiary have not yet been obtained by the Group. For illustration purposes only, the value of the land development right under PPP Project Group has been fully impaired.

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

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

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

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

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

Upon Completion, (i) Excellent Top will cease to be the subsidiary of the Company; (ii) Jia Lian International will cease to be the joint venture of the Company; and (iii) the financial results of the Disposal Group will no longer be consolidated in the Company's financial statements (the "**Deconsolidation**"). References are made to the announcements of annual results of the Group for the years ended 31 December 2022 and 2023 dated 28 May 2024 in relation to the Disclaimer of Opinion issued by the Auditors. The management of the Company had consulted the Auditors and was given to understand that upon completion of the Disposal, (a) the Disclaimer of Opinion with regard to (i) intangible assets and related deferred tax liabilities; (ii) contract costs; (iii) promissory note receivables; (iv) trade receivables; and (v) limited accounting books and records of AVIC Fujian and its subsidiary of the audit report for the year ended 31 December 2023 will no longer affect the financial position of the Group as at 31 December 2024 and the Disclaimer of Opinion can be removed; (b) the Disclaimer of Opinion with regard to investments in joint ventures, amounts due from joint ventures and finance lease receivables from joint ventures of the audit report for the year ended 31 December 2023 will no longer affect the financial position of the Group as at 31 December 2024 and the Disclaimer of Opinion can be removed; and (c) however, there will be a modified opinion in the auditor's report for the year ending 31 December 2024 regarding the gain or loss on Disposal and a modified opinion in the auditor's report for the year ending 31 December 2025 regarding the 2024 comparative figure.

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

LISTING RULES IMPLICATIONS

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

Pursuant to Rule 14.58(7) of the Listing Rules which provides that the announcement of a very substantial disposal must contain, where applicable, the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction. Up to the date of this announcement, the accounting books and records in respect of Jia Lian International, AVIC Fujian and its respective subsidiaries are not available to the Group. The Company has applied to the Stock Exchange for the waiver from strict compliance with Rule 14.58(7) of the Listing Rules.

Rule 14.68(2)(a)(i) of the Listing Rules provides that a circular issued in relation to a very substantial disposal must contain, on a disposal of a business, company or companies, financial information of either (a) the business, company or companies being disposed of; or (b) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (a) discontinuing operation(s), for the relevant period (as defined in the note to Rule 4.06(1)(a) of the Listing Rules). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and

must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity. The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any modifications in the review report. Further, Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules provides that the Stock Exchange may be prepared to relax the requirements of Rule 14.68(2)(a)(i) if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal. Up to the date of this announcement and for reasons as mentioned above, the accounting books and records in respect of Jia Lian International, AVIC Fujian and its respective subsidiaries are not available to the Group. The Company has applied to the Stock Exchange for the waiver from strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules.

Further announcement(s) regarding any material development of waiver application will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

GENERAL

An EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Voting by the Shareholders at the EGM will be taken by poll. To the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the proposed resolution(s) approving the Sale and Purchase Agreement at the EGM.

A circular containing, amongst other things, (a) further information in relation to the Disposal; and (b) the notice of the EGM and the proxy forms will be despatched to the Shareholders on or before 19 July 2024.

Completion is subject to and conditional upon the fulfilment of the terms and conditions precedent set out in the Sale and Purchase Agreement and the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The clearance of this announcement by the Stock Exchange does not indicate that it is satisfied that the Company has fulfilled any of the resumption guidance. The Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing at its discretion.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day on which licensed banks are generally open for business in Hong Kong throughout their normal business hours for the provision of banking services (other than Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no.8 or above is hoisted, a “black” rainstorm warning is issued or the Extreme Condition is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong)
“Company”	AVIC Joy Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	date of the Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$28,000,000, being the total consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and Sale Accounts Receivables by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreement
“Disposal Group”	Jia Lian International, Excellent Top and their respective subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Excellent Top”	Excellent Top Group Limited, a wholly-owned subsidiary of the Company as at the date of this announcement

“Extension Letter”	the extension letter dated 12 June 2024 between the Vendors and the Purchaser to extend the payment date of the Initial Deposit to on or before 20 June 2024 (or such other date and time as may be agreed between the Vendors and the Purchaser)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Jia Lian Group”	Jia Lian International and its subsidiaries
“Jia Lian International”	Jia Lian International Limited, a joint venture of the Company as at the date of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2024, or such later date as may be agreed between the Vendors and the Purchaser in writing
“Mr. Yu”	Mr. Yu Yao, a PRC citizen
“PPP Project Group”	Excellent Top and its subsidiaries
“PPP Project Group Company”	any of the PPP Project Group
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Supreme Mode Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Accounts Receivables”	Sale Accounts Receivables A and Sale Accounts Receivables B

“Sale Accounts Receivables A”	any indebtedness, accounts receivable or obligations owing by Jia Lian Group to the Company and Guangdong Zi Yu Tai Finance Leasing Company Limited, a wholly-owned subsidiary of the Company, prior to Completion, whether incurred, likely to be incurred, due or to become due
“Sale Accounts Receivables B”	any indebtedness, accounts receivable or obligations owing by Jia Lian International to Tongda Environmental prior to Completion, whether incurred, likely to be incurred, due or to become due
“Sale Shares”	Sale Shares A and Sale Shares B
“Sale Shares A”	450 shares of Jia Lian International held by Tongda Environmental as at the date of the Sale and Purchase Agreement
“Sale Shares B”	1 share of Excellent Top, representing the entire equity interests of Excellent Top held by the Company as at the date of the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 May 2024 (as amended and supplemented by the Extension Letter) entered into between the Vendors and the Purchaser in relation to the Disposal
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tongda Environmental”	Tongda Environmental Technology Limited, a wholly-owned subsidiary of the Company as at the date of this announcement
“Vendors”	the Company and Tongda Environmental
“%”	per cent.

By order of the Board
AVIC Joy Holdings (HK) Limited
CHANG Chien
Chairman and Executive Director

Hong Kong, 28 June 2024

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

Executive Directors

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

Independent Non-Executive Directors

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