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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)

**SUPPLEMENTAL ANNOUNCEMENT
DECISION OF THE LISTING COMMITTEE ON
CANCELLATION OF LISTING**

This announcement is made by AVIC Joy Holdings (HK) Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 17 June 2024 in relation to, among others, the decision of the Listing Committee on cancellation of listing of Shares (the “**Announcement**”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide further details of the Decision as set out in the Letter, which are as follows:

In arriving at the Decision, the Listing Committee had considered the following:

1. Trading in the Shares had been suspended since 29 November 2022. Under Rule 6.01A(1), the Stock Exchange had the right to delist the Company if the Company failed to resume trading by 28 May 2024.
2. As explained below, the Listing Committee considered that by the resumption deadline and as at the date of the Letter, the Company had not fulfilled any of the resumption guidance. Trading in the Shares remained suspended.

Resumption Guidance 1 – Publish all outstanding results and address any audit modifications (“RG1”)

1. On 28 May 2024, the Company published all the outstanding results. However, the Company’s auditors issued the Disclaimer of Opinion on its 2022 and 2023 annual results. The Company intended to resolve the underlying issues through the Disposal. As advised by the Company’s auditors, the Disclaimer of Opinion would only be removed upon completion of the Disposal.
2. As at the date of the Letter, the Company had only signed an agreement for the Disposal and had yet to obtain shareholder approval. It was unclear whether and when the Company would be able to obtain the approval from its shareholders and meet other conditions precedent of the Disposal. The Listing Committee considered that, by the resumption deadline and as at the date of the Letter, the Company had yet to resolve the underlying issues of the Disclaimer of Opinion. Hence, RG1 was not met.

Resumption Guidance 2 – Demonstrate compliance with Rule 13.24 (“RG2”)

1. The Company sought to rely on the LED Business and the Financial Lease Business to demonstrate its compliance with Rule 13.24 after it decided to cease/dispose of the Gas Business and the Land Development Business. For the following reasons, the Listing Committee considered that the Company had failed to demonstrate it had a business that was of substance, viable and sustainable:

On operation

LED Business

1. In 2012, the Company acquired Jia Lian International and commenced the LED Business. In 2015, the Company ceased to operate such business after the deconsolidation of Jia Lian International as a subsidiary of the Company.
2. To address concerns of the Listing Committee on its non-compliance with Rule 13.24, the Company intended to redevelop the LED Business through the original business plan that the Company expected to generate revenue (“**Original Business Plan**”) in 2021. However, since the change of substantial shareholder in September 2020, the Board no longer had any director with prior experience in the LED Business. The Company also failed to implement the Original Business Plan and did not recognise any revenue from the LED Business in 2022.
3. Based on the resumption proposal, the Company intended to operate the LED Business through a newly acquired subsidiary, Zhongshan Holcim Photoelectric Technology Co., Ltd.* (中山霍爾希姆光電科技有限公司) (“**Holcim**”). The Company submitted that there had been development on the LED Business after the Acquisition. However, the Listing Committee noted that:

- (a) Holcim had a limited scale of operation. In the past three years, it only generated minimal revenue for 2020 and 2021 and nil revenue for 2022. The Company acquired Holcim at a nominal consideration in light of its minimal operation and loss-making history. Hence, Holcim did not have any track record to demonstrate it had a business that was of substance, viable and sustainable.
 - (b) The Company submitted that Holcim had obtained 19 LED projects. Holcim completed a few of these projects and generated insignificant revenue for the first quarter of 2024. The scale of operation remained small.
 - (c) Majority of the projects on hand in terms of contract value had yet to commence. In particular, the two largest projects accounting for over 70% of the total estimated contract sum would only be commenced in September and October 2024. In light of Holcim's limited track record, it was unclear whether the Company or Holcim would be able to deliver the projects to the customers' satisfaction. Further, given the long delivery period and final price adjustment with reference to the quantity of the materials used, it was uncertain when and how much revenue and profits would actually be generated.
 - (d) Further, the major contracts in terms of contract value were procured by Mr. Zhu Chengye ("Mr. Zhu"), the director and chief executive officer of Holcim and the executive Director, and shortly after the Acquisition. The Company failed to explain how Mr. Zhu, who had been working in the Group well before the Acquisition, could secure these contracts shortly after the Acquisition, but not before. Neither the Group nor Holcim had demonstrated an established customer base and sufficient competitive advantage that could continuously procure and deliver sufficient contracts to sustain the business in the long run.
4. The Company forecasted to generate revenue for 2024. The Listing Committee had concerns on whether the forecast was achievable given that:
- (a) Out of the forecasted revenue for 2024, only 42% was supported by signed contracts. The remaining 58% was based on management's expectation. In light of the short track record, the Listing Committee had concerns on whether the Company would be able to continue to secure sufficient contract to meet the forecast.
 - (b) Further, a significant portion of the contracts on hand had yet to commence. It was uncertain whether these projects would be delivered as expected and if so, when and how much revenue would actually be recognised.

- (c) The expected substantial increase in gross profit margin in 2024 would depend on the commencement of the larger scale projects in 2024. Yet, it was uncertain whether and when these projects could commence or complete.

In any case, even the forecasted revenue for 2024 was achievable, it would be insufficient to cover the Company's operating costs and finance costs, resulting in an expected loss (excluding the one-off loss on the Disposal).

5. The expansion plan for the LED Business was generic and preliminary. The potential business opportunities from the development of government policies and lighting engineering projects were subject to the submission of tender by the Company. It was questionable whether the Company would be able to secure any of these projects at all.
6. In light of the above, the Listing Committee considered the LED Business was not demonstrated to be of substance, viable and sustainable.

Finance Lease Business

1. Since the trading suspension, the scale of operation of the Finance Lease Business had not improved. It continued to record a minimal revenue of around HK\$3 million in each of 2022 and 2023 and the revenue in 2024 was expected to decrease. The business plan to provide finance lease services for the procurement of electric bicycles and motors was preliminary. In light of the above, the Listing Committee considered that this business was not of substance, viable and sustainable.

On assets

1. For the reasons mentioned above, the Listing Committee did not consider that the Company had sufficient assets to enable the Company to operate a business which was of substance, viable and sustainable.

Resumption Guidance 3 – inform the market of material information (“RG3”)

1. Fulfilment of this resumption guidance was to be assessed when the Company had met all the other resumption guidance. For the above reasons, the Listing Committee was not satisfied that the Company had met this resumption guidance.

As mentioned in the Announcement, the Company is in consideration of submitting an application for the Review. Further announcement(s) regarding any material development of the intended application will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules. Shareholders of the Company who have any queries about the implications of the cancellation of listing of the Shares are advised to obtain appropriate professional advice.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 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

* *For identification purpose only*