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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of AVIC Joy Holdings (HK) Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”) together with the comparative figures for 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	2	3,001	2,265
Cost of sales		(1,635)	–
Gross profit		1,366	2,265
Other income, gains and losses	3	1,046	1,093
Selling and distribution costs		(33)	–
Administrative expenses		(7,120)	(7,270)
Finance costs	4	(19,175)	(19,419)
Loss before tax		(23,916)	(23,331)
Income tax expense	5	(31)	–
Loss for the period	6	(23,947)	(23,331)

		For the six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		(24,605)	(23,697)
Non-controlling interests		<u>658</u>	<u>366</u>
		<u>(23,947)</u>	<u>(23,331)</u>
LOSS PER SHARE			
Basic and diluted	7	<u>(HK0.41 cents)</u>	<u>(HK0.40 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(23,947)</u>	<u>(23,331)</u>
Other comprehensive expenses:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(2,084)	(4,924)
Share of joint ventures' exchange differences on translation of foreign operations	<u>(2,236)</u>	<u>(4,300)</u>
Other comprehensive expenses for the period	<u>(4,320)</u>	<u>(9,224)</u>
Total comprehensive expenses for the period	<u>(28,267)</u>	<u>(32,555)</u>
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(29,685)	(33,831)
Non-controlling interests	<u>1,418</u>	<u>1,276</u>
	<u>(28,267)</u>	<u>(32,555)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	161	196
Right-of-use assets	9	807	1,561
Investments in joint ventures		89,730	91,966
Prepayments and deposits		144	163
Finance lease receivables	11	1,274	4,834
		92,116	98,720
CURRENT ASSETS			
Inventories		286	–
Contract costs	12	283,185	290,065
Trade receivables	10	18,780	18,771
Prepayments, deposits and other receivables		14,588	13,859
Finance lease receivables	11	7,828	8,781
Promissory note receivables		62,300	62,300
Amounts due from joint ventures		102,528	105,584
Bank balances and cash		12,078	20,657
		501,573	520,017
CURRENT LIABILITIES			
Trade payables	13	7,432	7,734
Other payables and accruals		57,536	298,889
Lease liabilities		921	1,632
Bank and other borrowings		171,622	175,184
Loans from related companies		6,964	816,573
Loans from joint ventures		13,859	14,196
Loans from non-controlling shareholders		32,343	32,343
Tax payable		2,461	2,445
		293,138	1,348,996
NET CURRENT ASSETS/(LIABILITIES)		208,435	(828,979)
TOTAL ASSETS LESS CURRENT LIABILITIES		300,551	(730,259)

	30 June	31 December
	2024	2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	–	103
Other payables and accruals	260,633	–
Loans from related companies	798,547	–
Deferred tax liabilities	232	232
	<u>1,059,412</u>	<u>335</u>
NET LIABILITIES	<u>(758,861)</u>	<u>(730,594)</u>
CAPITAL AND RESERVES		
Share capital	2,234,815	2,234,815
Other reserves	(2,917,885)	(2,888,200)
	<u>(683,070)</u>	<u>(653,385)</u>
Equity attributable to owners of the Company	(683,070)	(653,385)
Non-controlling interests	(75,791)	(77,209)
	<u>(758,861)</u>	<u>(730,594)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1.1 CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company and its subsidiaries (collectively the “**Group**”) are principally involved in the provision of finance lease and loan services and property investment; and provision of land development services; and the provision of supply and installation services for light-emitting diode (“**LED**”) products in the People’s Republic of China (the “**PRC**”). The Group also operates LED energy management contracts (“**EMC**”) business through its investment in a joint venture.

1.2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The financial information relating to the year ended 31 December 2023 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements. The auditor’s report was disclaimed and contained a statement under section 407(2) and 407(3) of the Hong Kong Companies Ordinance and with a material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its reports, but did not contain a statement under sections 406(2) of the Hong Kong Companies Ordinance.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$23.9 million for the period ended 30 June 2024 and, as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$758.9 million as at 30 June 2024. The Group’s total borrowings (comprising bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,023.3 million, out of which approximately HK\$224.8 million are due for repayment in the next twelve months from the date of approval of these condensed consolidated financial statements.

The Directors have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

- (i) A substantial shareholder of the Company, undertakes that, in order to encourage the Group to put its capital into good use and support business development of the Group, the substantial shareholder will provide funding support via, including but not limited to, guarantee or loan financing, within one year from the date of the letter.
- (ii) According to the letter from the substantial shareholder to the Board of the Company dated 20 May 2024, in order to provide continuous financial support to the Company, the substantial shareholder will not demand repayment of the loans from related companies nor any interest to be incurred during the period from 1 January 2024 to 31 December 2025.
- (iii) The Group is negotiating with the counterparties to renew the existing loans from them.
- (iv) The Group is actively identifying alternative sources of funding.

The Directors consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

1.3 MATERIAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

Application of new and revised HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the condensed consolidated financial statements of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reporting segments as follows:

- (a) Management and operation of LED EMC;
- (b) Provision of finance lease and loan services and property investment;
- (c) Provision of land development services and sale of construction materials;
- (d) Trading of gas and petroleum products; and
- (e) Supply and installation services for LED products.

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that certain exchange losses and certain finance costs, depreciation, as well as corporate and other unallocated expenses are excluded from such measurement.

For the presentation of the Group's geographical information, revenues and results information is attributed to the segments based on the locations of the customers, and assets information is based on the locations of the assets. As the Group's major operations and markets are located in PRC, no further geographical information is provided.

The following table presents revenue and loss for the Group's primary segment for the six months ended 30 June 2024 and 2023.

	Supply and installation services for LED		Management and operation of LED EMC		Provision of finance leases and loan services and property investment		Provision of land development services		Trading of gas and petroleum products		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:												
Leases	-	-	-	-	503	2,265	-	-	-	-	503	2,265
Supply and installation services for LED products	2,498	-	-	-	-	-	-	-	-	-	2,498	-
	<u>2,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503</u>	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,001</u>	<u>2,265</u>
Segment results	476	-	(285)	(789)	(2,034)	(461)	863	917	(14)	(2)	(994)	(335)
Reconciliation:												
Finance costs												
- unallocated											(19,149)	(19,360)
Unallocated other (loss)/gain											4	(3)
Corporate and other unallocated expenses											(3,777)	(3,633)
Loss before tax											(23,916)	(23,331)
Income tax expense											(31)	-
Loss for the period											<u>(23,947)</u>	<u>(23,331)</u>

3. OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's other income, gains and losses is as follows:

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	13	86
Promissory note interest income	952	949
	<u>965</u>	<u>1,035</u>
Other gains and losses, net		
Exchange losses, net	–	(2)
Value-added tax refunds	–	53
Others	81	7
	<u>81</u>	<u>58</u>
	<u>1,046</u>	<u>1,093</u>

4. FINANCE COSTS

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

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	646	646
Interest on loans from related companies	18,474	18,647
Interest on lease liabilities	55	126
	<u>19,175</u>	<u>19,419</u>

5. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2023: Nil). Taxation on PRC profit was calculated on the estimated assessable profits for the period at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
PRC Enterprise Income Tax – Current Tax	31	–

6. LOSS FOR THE PERIOD

The Group's loss before tax is arrived after charging:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Auditor's remuneration	650	725
Depreciation on items of property, plant and equipment	32	32
Depreciation on right-of-use assets	741	784
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries, allowances and benefits in kind	2,233	2,393
Pension scheme contributions	81	108
	2,314	2,501

7. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of approximately HK\$24,605,000 (2023: approximately HK\$23,697,000), and the weighted average number of ordinary shares of 5,943,745,741 (2023: 5,943,745,741) in issue during the Period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 and for the six months ended 30 June 2023 as there are no dilutive potential ordinary shares.

8. DIVIDENDS

No dividends were paid, declared or proposed during the Period (2023: Nil). The directors of the Company do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2024.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the Period, no addition and no disposal in the property, plant and equipment is recorded (2023: Nil).

During the Period, the Group did not enter into any lease agreements for use of office premises and staff quarters, and therefore recognised the additions to right-of-use assets of HK\$Nil (2023: HK\$Nil).

10. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	52,112	52,912
Less: Allowance for expected credit losses	<u>(33,332)</u>	<u>(34,141)</u>
	<u>18,780</u>	<u>18,771</u>

The trade receivables are all relating to the sales of construction materials and supply and provision of installation of LED products. The credit period is generally 90 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 90 days	608	592
90–180 days	426	129
181–365 days	125	–
Over 1 year	<u>50,953</u>	<u>52,191</u>
	<u>52,112</u>	<u>52,912</u>

As at 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$17,621,000 (31 December 2023: approximately HK\$18,050,000) which are past due. All of the past due balances has been past due 90 days or more and is not considered as in default as the management considered the past due balances can be repaid based on repayment history.

11. FINANCE LEASE RECEIVABLES

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

The majority of lease contracts are with guaranteed residual values. As at 30 June 2024 and 31 December 2023, unguaranteed residual values of assets leased under finance leases are immaterial.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Finance lease receivables comprise:				
Within one year	8,480	9,960	7,828	8,781
In the second year	1,505	4,865	1,274	4,436
In the third year	–	472	–	398
	<u>9,985</u>	<u>15,297</u>	<u>9,102</u>	<u>13,615</u>
Less: unearned finance income	<u>(883)</u>	<u>(1,682)</u>		
Present value of minimum lease payments	<u>9,102</u>	<u>13,615</u>		
Analysed for reporting purposes as:				
Current assets	7,828	8,781		
Non-current assets	1,274	4,834		
	<u>9,102</u>	<u>13,615</u>		

Effective interest rates of the above finance leases range from 7.3% to 9% (31 December 2023: 7.3% to 9%) per annum.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

12. CONTRACT COSTS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Pre-contract/setup costs to fulfil contracts in relation to land development services incurred to date	<u>283,185</u>	<u>290,065</u>

Contract costs capitalised are construction costs in relation to land development services incurred up to date.

13. TRADE PAYABLES

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 90 days	363	493
Over 1 year	<u>7,069</u>	<u>7,241</u>
	<u>7,432</u>	<u>7,734</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Reference are made to (i) the announcements of the Company dated 7 September 2022, 9 September 2022, 19 September 2022, 17 November 2022 and 28 November 2022, respectively, in relation to, among others, the decision of the Listing Committee to suspend trading in the shares of the Company; (ii) the announcements of the Company dated 5 December 2022 and 4 April 2023, respectively, in relation to, among others, the Resumption Guidance; (iii) the announcement of the Company (the “**Voluntary Announcement**”) dated 24 February 2023 in relation to the development regarding the LED Business; (iv) the announcements of the Company dated 28 February 2023, 25 May 2023, 24 August 2023, 27 November 2023, 28 February 2024, 28 May 2024 and 29 August 2024 (the “**Quarterly Update Announcements**”) in relation to the quarterly update on suspension of trading; and (v) the announcements of the Company dated 17 June 2024, 20 June 2024 and 2 July 2024 in relation to the decision of the Listing Committee on cancellation of listing (collectively, the “**Announcements**”). Unless otherwise specified, capitalised terms used in this “Management Discussion And Analysis” shall have the same meanings as those defined in the Announcements.

BUSINESS REVIEW

The Group is principally engaged in (i) management and operation of light-emitting diode (“**LED**”) energy management contracts (“**EMC**”) in the PRC (the “**LED Business**”); (ii) provision of finance lease and loan services and property investment (the “**Finance Lease Business**”); (iii) provision of the public-private partnership class 1 land development services and sale of construction materials (the “**Land Development Business**”); (iv) gas and petroleum products business (the “**Gas and Petroleum Products Business**”); and (v) supply and installation services for LED products.

In 2024, the Group has been very active to carry out a number of measures to fulfil the resumption requirements of the Stock Exchange. We published the outstanding annual results, interim results, annual reports and interim reports, as seen from our announcements and publications. We have won the court cases in Mainland China which showed and proved that justice is on our side. We also have concluded the Very Substantial Disposal transaction in May 2024, the details of which can be referred to our announcement thereof. Also, our LED business is growing at a remarkable speed which gives us the confidence that we will soon reach a profitable position.

On the other hand, despite many uncertainties, chaos, upheavals and warfare of the worldwide economy, Hong Kong is also recovering from the pandemic days. We can see the various efforts of the Hong Kong government and China central government to push the economies, encourage investments and defend the capital and consumption markets. As time goes on, the speed of recovery and growth will gather more momentum. We believe that the bright old good days will soon be back.

OPERATIONAL REVIEW

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

During the Period, the revenue recorded from finance lease business decreased to approximately HK\$503,000 (2023: approximately HK\$2.3 million), representing a decrease of approximately 78.3%.

(2) PPP Class 1 Land Development Business

During the Period, no revenue was recorded in the Group's business in the Project at Fuqing City, Fujian Province (2023: Nil).

During the Period, the profit of this segment decreased to approximately HK\$863,000 (2023: profit of approximately HK\$917,000), mainly due to increase in legal and profession fees.

(3) LED EMC Business

The Group mainly operates LED EMC business through its investment in a joint venture.

(4) Gas and Petroleum Products Business

During the Period, no revenue was recorded in the Group's business (2023: Nil), which is mainly due to the decrease in Gas and Petroleum Products Business.

(5) Supply and Installation Services for LED products

During the Period, the Group also has a new subsidiary to carry on the supply and installation services for LED products business. The business just started and HK\$2,498,000 revenue was recorded at the period ended.

FINANCIAL REVIEW

During the Period, the revenue of the Group amounted to approximately HK\$3,001,000 (2023: approximately HK\$2,265,000), representing an increase of approximately 32.5% as compared with the corresponding period of the previous year, which mainly attributed to increase in the number of new projects of supply and installation services for LED products.

The net loss of the Group was approximately HK\$23,947,000 during the Period as compared with the net loss of approximately HK\$23,331,000 in the corresponding period of the previous year. The increase in net loss was mainly attributable to the net effect of (i) decrease in finance lease business by approximately HK\$1.76 million; and (ii) increase in gross profit of supply and installation services for LED products by HK\$1 million; and decrease in finance costs of approximately HK\$244,000.

Financial Resources

As at 30 June 2024, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK\$1,349.9 million (31 December 2023: approximately HK\$1,346.7 million). Cash and bank balances amounted to approximately HK\$12.1 million (31 December 2023: approximately HK\$27.7 million). Net debt amounted to approximately HK\$1,337.8 million (31 December 2023: approximately HK\$1,236 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK\$654.7 million (31 December 2023: approximately HK\$672.6 million), was 204.3% (31 December 2023: 197.1%).

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (2023: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT

As disclosed in our announcement dated 28 June 2024, on 28 May 2024, the Company, Tongda Environmental and the Purchaser entered into the Sale and Purchase Agreement (“SPA”), 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. The SPA was approved in the Extraordinary General Meeting on 19 August 2024. All the conditions precedent under the SPA have been fulfilled and the Disposal in accordance with the terms and conditions of the SPA has been completed on 20 August 2024.

Upon Completion, (i) Excellent Top has ceased to be the subsidiary of the Company; (ii) Jia Lian International has ceased to be the joint venture of the Company; and (iii) the financial results of the Disposal Group will no longer be consolidated into the Company's financial statements.

Save as already disclosed, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 22 employees (2023: 23). The staff costs for the Period amounted to approximately HK\$1.7 million (2023: approximately HK\$2.0 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change on staff remuneration policies during the Period.

HUMAN RESOURCES

The Group remunerates and promotes employees according to a balanced mechanism based on individual performance, experience, professional qualification and prevailing market practices. The Group also encourages and subsidizes staff to participate in job related studies, trainings and seminars for all-round development to continually enhance their contribution to the sustainable development of the Group.

PLEDGE OF ASSETS

As at 30 June 2024, no assets of the Group were pledged as security for bank and other borrowings granted.

PROSPECTS

Looking forward, the Group will closely monitor and solve the issues relating to the Rule 13.24 of the Listing Rules. Simultaneously, the Group will continue to explore new business opportunities for corporate development and dedicates to develop sustainable current business, in order to enhance its financial performance and create value for the shareholders of the Company.

EVENTS AFTER THE REPORTING PERIOD

There are no events to cause material impact in the Group after 30 June 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code and the Corporate Governance Report contained in Appendix C1 to the Listing Rules (the “**CG Code**”) throughout the six months ended 30 June 2024, except with the details disclosed below:

- (i) code provision C.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Mr. Chang Chien (“**Mr. Chang**”) was appointed as an executive Director with effect from 18 September 2020, he has been appointed as the chairman of the Board with effect from 4 February 2022. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group’s business.

The post of chief executive officer of the Company has remained vacant since 30 January 2022. Mr. Chang, who acts as the chairman and an executive Director, is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Company understands the importance to comply with the code provision C.2.1 of the CG Code and will continue to consider the feasibility to nominate appropriate person for the role of chief executive officer; and

- (ii) code provision C.3.3 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the articles of association of the Company. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), legal and other regulatory requirements, if applicable.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Following specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Period.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENT

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. To Chun Kei (the chairman of the Audit Committee), Mr. Lok Tze Bong and Mr. Cheung Ting Pong. They have reviewed the accounting principles and practices adopted by the Group and discussed the interim review, internal control and financial reporting matters with the management of the Group. The Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been reviewed by the Audit Committee, which is of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”) AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.avicjoyhk.com). The interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 30 August 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