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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)**

### **PLACING OF CONVERTIBLE NOTES UNDER GENERAL MANDATE**

**Placing Agent**



**億聲證券有限公司**

**Brilliant Norton**

Securities Company Limited

#### **THE PLACING**

On 3 November 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best efforts basis, not less than six Placées to subscribe for the Convertible Notes in the aggregate principal amount up to HK\$140,000,000 at the initial Conversion Price of HK\$0.140 per Share. Upon Completion and assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company and there is full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.140 per Share, an aggregate of 1,000,000,000 Conversion Shares shall be allotted and issued, representing approximately 16.8% of the total number of Shares in issue as at the date of this announcement and approximately 14.4% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

As the Conversion Shares will be allotted and issued under the General Mandate, the allotment and issue of the Conversion Shares are not subject to the Shareholders' approval.

Assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company, the net proceeds from the Placing, after deducting the placing commission and other expenses incurred in the Placing, are estimated to be approximately HK\$138.9 million. Such net proceeds are intended to be used for repayment of short term loan of approximately HK\$110.0 million and general working capital of the Group.

**As Completion is subject to the satisfaction of the conditions under the Placing Agreement, the Placing may or may not proceed. Shareholders and the potential investors are reminded to exercise caution when dealing in the Shares.**

## **THE PLACING AGREEMENT**

### **Date**

3 November 2016 (after trading hours)

### **Parties**

- (1) the Company as issuer; and
- (2) the Placing Agent as placing agent. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined in the Listing Rules) of the Company.

### **Subject matter**

Pursuant to the terms of Placing Agreement, the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best efforts basis, not less than six Placees to subscribe for the Convertible Notes in the aggregate principal amount up to HK\$140,000,000 at the placing price. Upon Completion and assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company and there is full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.140 per Share, an aggregate of 1,000,000,000 Conversion Shares shall be allotted and issued, representing approximately 16.8% of the total number of Shares in issue as at the date of this announcement and approximately 14.4% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

### **The Placees**

The Convertible Notes shall be placed to not less than six Placees (being independent institutional, corporate or individual investors) who and whose ultimate beneficial owners are independent of the Company and its connected persons (as defined in the Listing Rules) of the Company. The Placing Agent shall ensure that none of the Placees and their respective concert parties shall become a substantial shareholder (as defined in the Listing Rules) of the Company upon Completion and assume full conversion of the respective Convertible Notes.

### **Placing commission**

The Placing Agent will receive a placing commission of 0.5% of the aggregate principal amount of the Convertible Notes issued to the Placees. The commission rate was determined after arm's length negotiations between the Company and the Placing Agent with reference to market rates.

### **Conditions precedent**

Completion of the Placing Agreement shall be conditional upon:

- (i) the Listing Committee having granted the listing of and permission to deal in the Conversion Shares;
- (ii) the Company having complied with all applicable disclosure and other requirements under the Listing Rules and the Takeovers Code in connection with the allotment and issue of the Convertible Notes and the Conversion Shares; and
- (iii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof, including provisions regarding force majeure events.

If the conditions set out above have not been fulfilled and/or waived prior to 10:00 a.m. on the Long Stop Date, the Placing Agreement shall be terminated automatically, upon which the obligations of the parties under the Placing Agreement shall terminate and be of no further effect and none of the parties shall be under any liability or obligation under the Placing Agreement, save for liabilities for any antecedent breaches thereof. If the Placing does not become unconditional on or before the Long Stop Date, the Placing Agent shall arrange for the repayment to all Placees of all application moneys (if any) paid by them without interest.

### **Completion of the Placing**

Completion shall take place on or before the third Business Day after all conditions set out above have been fulfilled.

### **Termination of the Placing**

The Placing Agent may, by notice in writing to the Company given at any time prior to 10:00 a.m. on the Completion Date, terminate the Placing Agreement, if in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation any general suspension or material restriction or trading in securities) occurs which affects the success of the Placing (such success being the placing of the Convertible Notes to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or

if, at or prior to 10:00 a.m. on the Completion Date:

- (i) the Company commits any material breach of or omits to observe in any material respect any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (ii) any suspension in the trading of the Shares on the Stock Exchange occurs for more than fifteen consecutive trading days save for the purposes of clearing of the announcement or circulars relating to the Placing Agreement and any ancillary agreements thereto; or
- (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate if repeated and if the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely have a material prejudicial effect on the Placing, the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

## **Principal terms of the Convertible Notes**

The terms of the Convertible Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

<b>Issuer:</b>	The Company
<b>Principal amount:</b>	Up to an aggregate principal amount of HK\$140,000,000
<b>Interest:</b>	The Convertible Notes will bear interest from and including the date of issue of the Convertible Notes at the rate of 4% per annum, payable by the Company annually in arrears
<b>Maturity Date:</b>	The second anniversary of the date of issue of the Convertible Notes
<b>Redemption:</b>	Unless previously converted, redeemed, purchased or cancelled in accordance with the terms of the Convertible Notes, the Company shall redeem the Convertible Notes on the second anniversary of the date of issue of the Convertible Notes subject to and in accordance with the terms of the Convertible Notes
<b>Conversion Price:</b>	<p>HK\$0.140 per Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Notes</p> <p>The Conversion Price will from time to time be adjusted upon the occurrence of (i) consolidation, sub-division or re-classification of Shares; (ii) rights issues of Shares or grant of options, warrants or other rights to subscribe for or purchase any Shares to the Shareholders; and (iii) issue of Shares at price per Share less than the Current Market Price. The adjustment shall be certified in writing by an approved merchant bank.</p> <p>Notwithstanding anything contained in the terms of the Convertible Notes, the adjusted Conversion Price shall not be less than HK\$0.112 per Share.</p>

**Conversion rights:**

The Noteholder(s) shall have the rights to convert on any Business Day during the conversion period commencing on the date of issue of the Convertible Notes and ending on, and including, the date which is five Business Days before the Maturity Date.

The conversion rights shall not be exercised by the Noteholder(s), or if exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat the conversion notice as invalid, if it comes to the notice of the Company that immediately following such conversion:

- (i) the Company will be unable to meet the public float requirement under the Listing Rules; or
- (ii) the Noteholder(s) or the Company will as a result of the issue of the relevant Conversion Shares be in breach of any Listing Rules, Takeovers Code or applicable laws or regulations.

**Conversion Shares:**

Assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company and the conversion rights attaching to the Convertible Notes have been exercised in full at the initial Convertible Price of HK\$0.140 per Share, a maximum of 1,000,000,000 Conversion Shares will be allotted and issued, representing approximately 16.8% of the total number of Shares in issue as at the date of this announcement and approximately 14.4% of the total number of Shares in issue as enlarged by the allotment and issue of such Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

**Cash settlement top-up:**

If, as a result of an adjustment of the Conversion Price, additional Shares are issuable upon a Noteholder's exercise of its conversion right in relation to any Convertible Note and following which the total number of Conversion Shares issuable upon such exercise would otherwise exceed the then maximum number of Shares that the Company may issue at that time pursuant to the General Mandate (such excess Shares, the "**Excess Shares**"), the Company will settle such Excess Shares by payment in cash.

**Transferability:**

The Convertible Notes may be assigned or transferred in whole or in part provided that such assignment or transfer shall be in compliance with the terms of the Convertible Notes and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:

- (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) and the SFC or their respective rules and regulations; and
- (b) the Listing Rules, the Takeovers Code and all applicable laws and regulations.

**Voting rights:**

The Noteholder(s) shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Convertible Notes.

## **Conversion Price**

HK\$0.140 per Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Notes.

The Conversion Price of HK\$0.140 per Share represents:

- (i) a premium of approximately 2.9% to the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on 3 November 2016, being the date of the Placing Agreement; and
- (ii) a discount of approximately 7.3% to the average of the closing prices of HK\$0.151 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days of the Shares immediately before the date of the Placing Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent, taking into account of, among others, the recent trading prices of the Shares on the Stock Exchange and the market conditions.

## **Application for Listing**

No application will be made for the listing of, or permission to deal in, the Convertible Notes on any stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

## **General Mandate**

At the annual general meeting of the Company held on 28 June 2016, a general mandate was granted to the Directors by the Shareholders pursuant to an ordinary resolution to exercise the powers of the Company to allot, issue and deal with up to 1,188,749,148 Shares, being 20% of the total number of Shares in issue as at the date of the passing of such resolution. The General Mandate has not been utilised prior to the date of this announcement. The Conversion Shares, being a maximum of 1,000,000,000 Shares, will be allotted and issued upon the exercise in full of the conversion right attaching to the Convertible Notes based on the initial Conversion Price under the General Mandate. Accordingly, the allotment and issue of the Conversion Shares is not subject to the Shareholders' approval.



## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the conversion of the Convertible Notes in full assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company, no exercise of the outstanding Share Options and no conversion of the Existing Convertible Notes; and (iii) immediately after the conversion of the Convertible Notes in full assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company, exercise in full of the outstanding Share Options and exercise in full of the conversion rights attaching to the Existing Convertible Notes:

	As at the date of this announcement		Immediately after the conversion of the Convertible Notes in full assuming no exercise of the outstanding Share Options and no conversion of the Existing Convertible Notes		Immediately after the conversion of the Convertible Notes in full assuming exercise in full of the outstanding Share Options and exercise in full of the conversion rights attaching to the Existing Convertible Notes	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Substantial Shareholders</b>						
Billirich (Note 1)	1,031,595,000	17.36	1,031,595,000	14.86	1,256,707,486	16.95
AVIC Joy Air Holdings Limited (Note 2)	60,810,000	1.02	60,810,000	0.87	60,810,000	0.82
AVIC International (HK)	504,023,891	8.48	504,023,891	7.26	504,023,891	6.80
Sub-total	1,596,428,891	26.86	1,596,428,891	22.99	1,821,541,377	24.57
<b>Directors</b>						
Zhu Dong	1,740,000	0.03	1,740,000	0.03	1,740,000	0.02
Wang Xiaowei	-	-	-	-	8,980,000	0.12
Sub-total	1,740,000	0.03	1,740,000	0.03	10,720,000	0.14
Noteholder(s)	-	-	1,000,000,000	14.40	1,000,000,000	13.49
<b>Public</b>						
Grand Win Overseas Ltd. (Note 3)	313,965,000	5.28	313,965,000	4.52	313,965,000	4.23
Employees and consultants (Share Options holders)	-	-	-	-	206,250,000	2.78
Other public Shareholders	4,031,611,850	67.83	4,031,611,850	58.06	4,061,611,850	54.79
Total	5,943,745,741	100.00	6,943,745,741	100.00	7,414,088,227	100.00

*Notes:*

- (1) Billirich is a wholly-owned subsidiary of AVIC International Holding (HK) Limited (“AVIC Int’l”). Tacko International Limited, together with its wholly-owned subsidiary, hold in aggregate approximately 34.34% of the issued share capital of AVIC Int’l. Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK), which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation, which in turn is owned as to approximately 62.52% by AVIC as of the date of this announcement. Accordingly, all these corporations are deemed to be interested in the Shares and convertible shares held by Billirich.
- (2) AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Holdings Limited, which in turn is a wholly-owned subsidiary of 幸福航空控股有限公司. 幸福航空控股有限公司 is owned as to approximately 57.14% by AVIC and approximately 42.86% by AVIC International Holding Corporation, which is a non-wholly owned subsidiary of AVIC (62.52% interest controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the Shares held by AVIC Joy Air Holdings Limited.
- (3) Grand Win Overseas Ltd. is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 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 Overseas Ltd.

## **REASONS FOR AND BENEFITS OF THE PLACING**

The Group is principally engaged in the operation of compressed natural gas and liquefied petroleum gas vehicle refueling stations, management and operation of light-emitting diode energy management contracts, provision of finance lease and loan financing services and properties investment, and class 1 land development in the PRC.

The Board considers that the issue of Convertible Notes will enhance the working capital and strengthen the capital base and financial position for the repayment of bank and other borrowings when they fall due. Moreover, the Placing of the Convertible Notes is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders. Furthermore, if the conversion rights attaching to the Convertible Notes are exercised, the shareholder base of the Company will be enlarged and the financial position of the Company will be improved for establishing and strengthening the existing business of the Company.

Assuming HK\$140,000,000 in principal amount of the Convertible Notes is issued by the Company, the gross proceeds and the estimated net proceeds of the Placing will be approximately HK\$140,000,000 and HK\$138,900,000 respectively. The net proceeds from the Placing, after deducting the placing commission and other expenses incurred in the Placing, are intended to be used for repayment of short term borrowings of approximately HK\$110.0 million and general working capital of the Group.

Hence, the Board considers that the entering into of the Placing Agreement, the issue of the Convertible Notes and the respective terms of the Placing Agreement (including the placing commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

**As Completion is subject to the satisfaction of the conditions under the Placing Agreement, the Placing may or may not proceed. Shareholders and the potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“AVIC”	Aviation Industry Corporation of China, a state-owned enterprise held and controlled by the State Council of the PRC, it is the ultimate controlling Shareholder
“AVIC International (HK)”	AVIC International (HK) Group Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of AVIC International Holding Corporation, which in turn is owned as to approximately 62.52% by AVIC as of the date of this announcement
“Billirich”	Billirich Investment Limited, a company incorporated in BVI with limited liability, and a substantial Shareholder and the holder of the Existing Convertible Notes as at the date of this announcement
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong
“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 Placing Agreement
“Completion Date”	the date on which the Completion shall take place
“Conversion Price”	HK\$0.140 per Share, subject to adjustments and being the price at which each Conversion Share will be issued initially upon the exercise of the conversion rights attaching to the Convertible Note(s)
“Conversion Share(s)”	the new Shares to be issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the 4% convertible notes due 2018 in the aggregate principal amount up to HK\$140,000,000 to be placed by the Placing Agent and to be issued by the Company pursuant to the terms of the Placing Agreement
“Current Market Price”	means, in respect of the Shares on a particular date, the average closing price per Share quoted on the daily quotation sheet of the Stock Exchange for the five consecutive trading days immediately preceding such date
“Director(s)”	the director(s) of the Company
“Existing Convertible Note(s)”	the 2% convertible notes due on 6 March 2018 (as amended and supplemented by the deed of amendment dated 20 January 2015 executed by the Company and Billirich) in the principal amount of HK\$51,775,872 issued by the Company to Billirich
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2016 to allot and issue up to 1,188,749,148 new Shares, representing 20% of the total number of Shares in issue as the date of passing of such resolution

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	25 November 2016 (or such later date as may be agreed between the Company and the Placing Agent)
“Maturity Date”	the date which falls on the second anniversary of the date of issue of the Convertible Notes
“Noteholder(s)”	the holder(s) of the Convertible Note(s)
“Placee(s)”	any independent institutional, corporate and/or individual investors procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the terms of the Placing Agreement
“Placing”	the placing of the Convertible Notes pursuant to the Placing Agreement
“Placing Agent”	Brilliant Norton Securities Company Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 3 November 2016 in relation to the Placing
“PRC”	the People’s Republic of China, which, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFC”	the Securities and Futures Commission

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option(s)”	option(s) to subscribe for Shares granted by the Company in accordance with the Share Option Scheme
“Share Option Scheme”	the expired share option scheme adopted by the Company on 15 April 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“%”	per cent.

By order of the Board  
**AVIC Joy Holdings (HK) Limited**  
**Wang Xiaowei**  
*Chief Executive Officer*  
*and Executive Director*

Hong Kong, 3 November 2016

*As of the date of this announcement, the Board comprises Mr. Zhu Dong (Chairman), Mr. Wang Xiaowei (Chief Executive Officer), Mr. Zang Zheng and Mr. Xiao Wei as executive Directors; and Mr. Hu Xiaowen, Mr. Gong Changhui and Mr. Wu Meng as independent non-executive Directors.*