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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 52.51% OF EQUITY INTEREST IN
SINOGAS CHENGDU**

DISCLOSEABLE TRANSACTION

On 25 October 2018, the Company, Winfield Innovations, Chengdu Tongneng and Sinogas Chengdu entered into the Equity Transfer Agreement, pursuant to which, Winfield Innovations has conditionally agreed to sell and Chengdu Tongneng has conditionally agreed to purchase, 52.51% of equity interest in Sinogas Chengdu and the Debt for the Consideration of RMB34,000,000 (equivalent to approximately HK\$38.4 million).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal is/are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

On 25 October 2018, the Company, Winfield Innovations, Chengdu Tongneng and Sinogas Chengdu entered into the Equity Transfer Agreement, pursuant to which, Winfield Innovations has conditionally agreed to sell and Chengdu Tongneng has conditionally agreed to purchase, 52.51% of equity interest in Sinogas Chengdu and the Debt for the Consideration of RMB34,000,000 (equivalent to approximately HK\$38.4 million).

The salient terms of the Equity Transfer Agreement are set out as follows:

Date

25 October 2018

Parties

- (i) the Company;
- (ii) Winfield Innovations;
- (iii) Chengdu Tongneng; and
- (iv) Sinogas Chengdu

Chengdu Tongneng is a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Chengdu Tongneng, the remaining 47.49% equity holder of Sinogas Chengdu and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Winfield Innovations is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

Sinogas Chengdu is a company established in the PRC with limited liability and is owned as to 52.51% by Winfield Innovations as at the date of this announcement.

Asset to be disposed of

Pursuant to the Equity Transfer Agreement, Winfield Innovations has conditionally agreed to sell and Chengdu Tongneng has conditionally agreed to purchase, 52.51% of equity interest in Sinogas Chengdu and the Debt for the Consideration of RMB34,000,000 (equivalent to approximately HK\$38.4 million), out of which the consideration for sale and purchase of the equity interest and the Debt are RMB16,034,293.50 and RMB17,965,706.50, respectively.

As at the date of this announcement, Sinogas Chengdu has a registered and paid-up capital of RMB38,091,400 (equivalent to approximately HK\$43 million).

The Debt represents the amount receivables due to Shenzhen Sinogas (an indirect wholly-owned subsidiary of the Company) from Sinogas Chengdu in an amount of RMB17,965,706.50 (equivalent to approximately HK\$20.3 million) as at the Benchmark Date.

Consideration and settlement terms

Pursuant to the Equity Transfer Agreement, the Consideration is RMB34,000,000 (equivalent to approximately HK\$38.4 million), which shall be satisfied in the following manner:

- (1) as to RMB27,200,000 (equivalent to approximately HK\$30.7 million), or such equivalent amount in HK\$ based on the middle exchange rate published by the People's Bank of China as at the previous Business Day of the payment as agreed by the parties to the Equity Transfer Agreement (the "**Middle Rate**"), shall be payable by Chengdu Tongneng to the Company (or its nominated subsidiary) within five Business Days from the date of the Equity Transfer Agreement (the "**Prepaid Consideration**");
- (2) as to RMB5,800,000 (equivalent to approximately HK\$6.6 million), or such equivalent amount in HK\$ based on the Middle Rate, shall be payable by Chengdu Tongneng to the Company (or its nominated subsidiary) on the Completion Date; and
- (3) if:
 - (a) within one year from the Completion Date, the pending litigations of Sinogas Chengdu (the "**Pending Litigations**") as identified before the Benchmark Date do not incur any litigation expense or economic loss, Chengdu Tongneng shall pay to the Company (or its nominated subsidiary) the remaining balance of RMB1,000,000 (equivalent to approximately HK\$1.1 million), or such equivalent amount in HK\$ based on the Middle Rate; or
 - (b) within one year from the Completion Date, the Pending Litigations incur any litigation expense or economic loss, Winfield Innovations undertakes to compensate Chengdu Tongneng 52.51% of the total loss incurred with a cap of RMB1,000,000 (equivalent to approximately HK\$1.1 million), which shall be deducted from the remaining balance of RMB1,000,000 payable by Chengdu Tongneng to the Company (or its nominated subsidiary).

The Consideration has been arrived at after arm's length negotiations between the Group and Chengdu Tongneng after taking into account, among other things, (i) the historical financial performance and conditions of Sinogas Chengdu; (ii) the future prospects of Sinogas Chengdu; (iii) the balance of the Debt as at the date of the Equity Transfer Agreement; and (iv) the net asset value based on the unaudited management accounts of Sinogas Chengdu as at 31 March 2018 of approximately HK\$27.8 million.

The Novation Deed

As at the Benchmark Date, the Debt owed by Sinogas Chengdu to Shenzhen Sinogas, an indirect wholly-owned subsidiary of the Company, amounted to RMB17,965,706.50 (equivalent to approximately HK\$20.3 million). Pursuant to the Equity Transfer Agreement, Sinogas Chengdu, Shenzhen Sinogas and Chengdu Tongneng shall enter into a novation deed (the “**Novation Deed**”) at least three Business Days before the Completion Date, pursuant to which, Chengdu Tongneng shall be entitled to the legal rights and benefit over the Debt with effect from the same date.

Conditions precedent

Completion shall be conditional upon fulfillment of the following conditions:

- (1) the Company having published all necessary announcement(s) and obtained all necessary approvals under the Listing Rules, including but not limited to the Shareholders’ approval on the Equity Transfer Agreement and the transactions contemplated thereunder, if required;
- (2) the Company having been provided with all requested information (including but not limited to the background information of Sinogas Chengdu, Chengdu Tongneng and its ultimate beneficial owners) to enable the Company to complete its due diligence of the Disposal and prepare the announcement and circular (if necessary) and fulfill condition (1); and
- (3) Chengdu Tongneng having settled the Prepaid Consideration in full.

In the event that the above conditions precedent cannot be fulfilled on or before the Long Stop Date, the Equity Transfer Agreement shall be terminated automatically and be of no further effect save for certain clauses as specified under the Equity Transfer Agreement. The Company shall return the Prepaid Consideration to Chengdu Tongneng within five Business Days from the date of termination together with the interest accrued thereon calculated based on HK\$ or RMB (subject to the settlement currency to be agreed) deposit saving rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited. No interest accrued on the Prepaid Consideration is payable if any of the conditions precedent is/are not fulfilled due to the reason of Chengdu Tongneng or not due to the reason of the Company, Winfield Innovations, Shenzhen Sinogas and Sinogas Chengdu.

Completion

Completion shall take place after the abovementioned conditions precedent to Completion have been fulfilled, or such other date as the parties to the Equity Transfer Agreement may agree in writing.

As at the date of this announcement, the Company holds 52.51% equity interest in Sinogas Chengdu and is accounted for as a joint venture in the financial statements of the Group. Upon Completion, the Group will cease to hold any equity interest in Sinogas Chengdu and the financial results of Sinogas Chengdu will no longer be accounted for in the consolidated financial statements of the Group using the equity method.

INFORMATION OF WINFIELD INNOVATIONS AND THE GROUP

Winfield Innovations is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Group is principally engaged in the operation of compressed natural gas refueling stations, management and operation of light-emitting diode energy management contracts, provision of finance lease and loan services and properties investment, and provision of land development services and sale of construction materials in the PRC.

INFORMATION OF SINO GAS CHENGDU

Sinogas Chengdu is a company established in the PRC with limited liability and is owned as to 52.51% by Winfield Innovations and as to 47.49% by Chengdu Jiaotong Shuniu Changzhan Construction Management Company Limited (成都交通樞紐場站建設管理有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party. It is principally engaged in the operation of gas refueling stations in Chengdu Province, the PRC.

Set out below is the summary of the unaudited financial information of Sinogas Chengdu for each of the years ended 31 December 2016 and 2017 and the three months ended 31 March 2018 as extracted from its unaudited management accounts based on Hong Kong Financial Reporting Standards:

	For the year ended		For the
	31 December		three months
	2016	2017	ended
	HK\$'000	HK\$'000	31 March
			2018
			HK\$'000
Turnover	33,091	36,528	7,726
Net loss before taxation	11,970	9,840	3,161
Net loss after taxation	11,984	9,854	3,161

As at 31 March 2018, Sinogas Chengdu had unaudited consolidated net asset value of approximately HK\$27.8 million.

INFORMATION OF CHENGDU TONGNENG

Chengdu Tongneng is a company established in the PRC with limited liability. Chengdu Tongneng is principally engaged in the retail of natural gas and chemical products as well as the construction of gas stations and supporting ancillaries etc.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Chengdu Tongneng and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL EFFECTS OF THE DISPOSAL

After Completion, the Group will cease to hold any equity interest in Sinogas Chengdu and the financial results of Sinogas Chengdu will no longer be accounted for in the consolidated financial statements of the Group using equity method.

Upon Completion, the Company expects to record a gain on disposal of approximately HK\$7.5 million, being the Consideration deducted by, among others, the unaudited net asset value of Sinogas Chengdu as at 31 March 2018 and professional fees and the related expenses. The abovementioned financial effects are shown for illustrative purpose only and the actual gain or loss as a result of the Disposal to be recorded by the Company is subject to audit and will be assessed after Completion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Sinogas Chengdu is principally engaged in the operation of gas refueling stations in Chengdu Province, the PRC. Having considered (i) the intensified competition in the gas market in the PRC; (ii) the loss making results of Sinogas Chengdu in recent financial years; and (iii) the Consideration represents a premium over the net asset value of Sinogas Chengdu as at 31 March 2018, the Board is of the view that the Disposal is a good opportunity for the Company to realise a gain on the Disposal and enable the Group to reallocate the financial resources to any suitable investment opportunities which may enhance Shareholders' value. The Company intends to apply the net proceeds (after deduction of professional fees and other related expenses) from the Disposal of approximately RMB16 million (equivalent to approximately HK\$18.1 million) for general working capital of the Group.

In light of the foregoing, the Board is of the view that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal is/are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Benchmark Date”	31 March 2018
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday in Hong Kong) on which banks in Hong Kong and the PRC are open for business
“Chengdu Tongneng”	成都通能壓縮天然氣有限公司 (Chengdu Tongneng Compressed Natural Gas Company Limited), a company established in the PRC with limited liability
“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 (stock code: 260)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal and the Debt payable by Chengdu Tongneng to the Company (or its nominated subsidiary) pursuant to the Equity Transfer Agreement
“Debt”	the aggregate amount of debts owed by Sinogas Chengdu to Shenzhen Sinogas, which amounted to RMB17,965,706.50 (equivalent to approximately HK\$20.3 million) as at the Benchmark Date
“Director(s)”	the director(s) of the Company

“Disposal”	the conditional disposal of 52.51% of equity interest in Sinogas Chengdu by Winfield Innovations to Chengdu Tongneng pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 25 October 2018 entered into among the Company, Winfield Innovations, Chengdu Tongneng and Sinogas Chengdu in respect of the Disposal
“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 People’s Republic of China
“Independent Third Party”	a third party independent of and connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2019, being the last date of the fifth month commencing from the following first whole month after the date of the Equity Transfer Agreement, or such later date as agreed by the parties to the Equity Transfer Agreement in writing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Sinogas”	深圳中油潔能環保科技有限公司 (Shenzhen Sinogas Environmental Protection Technology Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Sinogas Chengdu”	中油潔能(成都)環保科技有限公司 (Sinogas Chengdu Company Limited), a company established in the PRC with limited liability which is owned as to 52.51% by Winfield Innovations as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Winfield Innovations”	Winfield Innovations Limited (永輝創建有限公司), a company incorporated in the Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	percent

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.13. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates or at all.

In this announcement, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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

Hong Kong, 25 October 2018

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