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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)

PROPOSED MANDATE IN RELATION TO THE POSSIBLE VERY SUBSTANTIAL DISPOSAL

THE PROPOSED DISPOSAL

On 14 November 2019, the Board resolved to dispose of the Sale Equity, representing 100% equity interest in Shanghai Shangju, by way of a public tender through an equity exchange. It is currently proposed that the Company will conduct the Proposed Disposal through SUAEE.

The minimum bidding price for the Proposed Disposal is RMB329,000,001 (equivalent to approximately HK$361.9 million), comprising (i) RMB1 being the consideration for the Sale Equity; and (ii) RMB329.0 million being the consideration for offsetting part of the Shareholder's Loan.

The final consideration for disposal of the Sale Equity will depend on the final bid price offered by the successful bidder, but in any event will be no less than the minimum bidding price.

The Board would like to seek the Proposed Mandate to be granted by the Shareholders at the GM in advance to the Directors, so as to conduct the Proposed Disposal.

LISTING RULES IMPLICATIONS

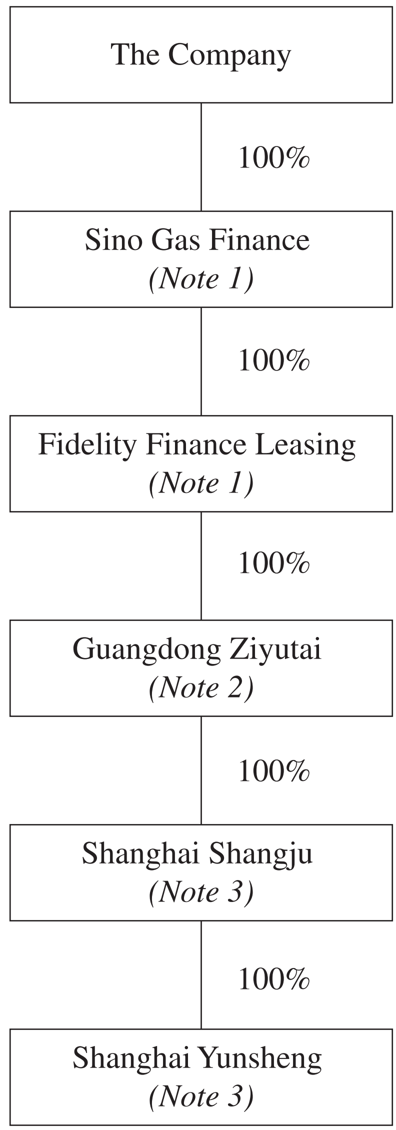
Using the minimum bidding price of RMB329,000,001 as the basis of calculation, the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposed Disposal exceeds 75%. Therefore, the Proposed Disposal, if materialised, is expected to constitute a very substantial disposal of the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Proposed Disposal and a notice convening the GM will be despatched to the Shareholders once available. As the Company requires time for compiling the information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 20 December 2019 in order to allow sufficient time for the preparation of such relevant information.

On 14 November 2019, the Board resolved to dispose of the Sale Equity, representing 100% equity interest in Shanghai Shangju, by way of a public tender through an equity exchange. It is currently proposed that the Company will conduct the Proposed Disposal through SUAEE.

THE PROPOSED DISPOSAL

Shanghai Shangju holds the entire equity interest in Shanghai Yunsheng. The following diagram illustrates the shareholding structure of Shanghai Shangju Group as at the date of this announcement:



Notes:

1. Both Sino Gas Finance and Fidelity Finance Leasing are investment holding companies.

2. Guangdong Ziyutai is principally engaged in the business of finance leasing, providing finance lease services to sizable corporate clients in the PRC.

3. Shanghai Shangju and Shanghai Yunsheng are the subject of the Proposed Disposal.

I. Shanghai Shangju

Shanghai Shangju was established in the PRC on 30 September 2004. As at the date of this announcement, Shanghai Shangju does not carry on any material business operations except for the holding and leasing of several investment properties and car parking spaces in Shanghai, the PRC. Shanghai Shangju is also the sole shareholder of Shanghai Yunsheng.

II. Shanghai Yunsheng

Shanghai Yunsheng was established in the PRC on 29 January 2010. As at the date of this announcement, Shanghai Yunsheng does not carry on any material business operations except for the holding of several investment properties and car parking spaces in Shanghai, the PRC.

III. Properties held by Shanghai Shangju Group

The assets of Shanghai Shangju Group mainly comprise investment properties and car parking spaces located in two separate locations in Shanghai, the PRC, details of which are as follows:

	Location	**Construction gross floor area**	**Permitted use**	**Registered owner**
International Shipping Service Center				
1	Levels 1 and 2, Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai (with 38 car parking spaces)	4,283.93 square metres	Office/ commercial	Shanghai Yunsheng
2	Levels 3 to 10, Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai (with 107 car parking spaces)	11,674.09 square metres	Office	Shanghai Shangju

	Location	Construction gross floor area	Permitted use	Registered owner
Xinhua Jia Li Building				
3	Rooms 101, 102 and 106, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai	946.76 square metres	Commercial	Shanghai Shangju
4	Rooms 103 to 105, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai	269.05 square metres	Shops	Shanghai Shangju
5	Rooms 201 to 208, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai	1,093.66 square metres	Commercial	Shanghai Yunsheng

Room 103, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai was rented to an Independent Third Party for a monthly rental income of RMB15,000 from 1 April 2017 to 31 October 2020.

Rooms 101–102 and 104–106, Nos. 1-2-3, 699 Nong, Xinhua Road, Shanghai were rented to an Independent Third Party for a monthly rental income of RMB94,061 from 1 January 2016 to 31 October 2020.

Save as disclosed above, other properties are not rented out and remain vacate.

IV. Financial information of Shanghai Shangju Group

Set out below is the unaudited consolidated financial information of Shanghai Shangju Group for the two years ended 31 December 2017 and 2018 prepared according to the Hong Kong Financial Reporting Standards.

	For the year ended 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Loss before tax	84,505	283,117
Loss after tax	84,505	283,117

The unaudited consolidated total liabilities of Shanghai Shangju Group as at 31 December 2018 were approximately RMB1,703.6 million, including the bank loan mortgage for investment properties in the amount of approximately RMB1,041.0 million and the shareholder's loan in the amount of approximately RMB655.4 million.

The unaudited consolidated total assets and net liabilities of Shanghai Shangju Group as at 30 June 2019 were approximately HK$1,766.6 million and HK$174.4 million, respectively.

The appraised value of the Properties as at 30 September 2019 was approximately RMB1,360.0 million based on a valuation report performed by an independent professional valuer, Roma Appraisals Limited, using the direct market comparison approach.

After Completion, Shanghai Shangju will cease to be a subsidiary of the Company and the financial results of Shanghai Shangju Group will no longer be consolidated into the financial statements of the Group.

V. Major terms of the Proposed Disposal

Qualifications of potential bidders

The potential bidders shall satisfy, amongst others, the following qualifications:

1. the potential transferee shall be financially sound and solvent;

2. the potential transferee shall have good business credibility;

3. the potential transferee shall be an Independent Third Party;

4. if the potential transferee is a natural person, he/she shall have full civil capacity; and

5. other qualifications stipulated under the laws and regulations of the PRC.

The Company will not entertain or accept a tender from any person that is not an Independent Third Party.

Consideration for the Proposed Disposal

The minimum bidding price for the Proposed Disposal is RMB329,000,001 (equivalent to approximately HK$361.9 million), comprising (i) RMB1 being the consideration for the Sale Equity; and (ii) RMB329.0 million being the consideration for offsetting part of the Shareholder's Loan.

The final consideration for the Proposed Disposal will depend on the final bid price offered by the successful bidder, but in any event will be no less than the minimum bidding price.

Shanghai Shangju Group has been loss making and recorded net liabilities as at 30 June 2019. The amount of the Shareholder's Loan amounted to approximately HK$707.5 million as at 30 June 2019. The minimum bidding price was set based on the consideration of RMB1 for the Sale Equity, and the consideration of RMB329.0 million for offsetting part of the Shareholder's Loan with reference to the latest appraised value of the Properties of approximately RMB1,360.0 million less the outstanding principal amount of the relevant mortgage loan of approximately RMB1,031.0 million (i.e. the Properties have realisable value of approximately RMB329.0 million). The Board considers that the minimum bidding price is fair and reasonable as it is equivalent to the realisable value of the Properties, and has agreed to waive the remaining Shareholder's Loan.

The final consideration for the Proposed Disposal will be settled by cash. While the exact payment terms of the consideration shall be determined at a later stage based on negotiations between the Company and the successful bidder, in order to protect the interests of the Company and the Shareholders as a whole, the Company currently intends that the entire consideration shall be paid within two months upon the Completion and will propose such terms to the successful bidder. A separate announcement will be published by the Company once the payment terms are fixed.

Public tender process of the Proposed Disposal

After obtaining the Shareholders' approval of the Proposed Mandate and the Proposed Disposal at the GM, the Group will commence the formal process of public tender of the 100% equity interest in Shanghai Shangju by submission of the tender notice setting out, inter alia, (i) the minimum bidding price for the Proposed Disposal; (ii) the principal terms of the bidding; and (iii) qualifications of potential bidders, to SUAEE (or such other equity exchange as subsequently determined by the Board).

Once the tender notice is published, the publication period will commence and open for ten (10) Business Days. During the publication period, qualified bidders may indicate their interest in purchasing the Sale Equity and register themselves as interested bidders.

Upon expiry of the publication period, SUAEE (or such other equity exchange as subsequently determined by the Board) will notify the Company the identity of the successful bidder of the public tender. The Company will then enter into a sale and purchase agreement in relation to the Sale Equity with the successful bidder and to complete the Proposed Disposal accordingly.

Condition precedent to the entering into and completion of the Proposed Disposal

The entering into the Proposed Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Proposed Disposal including the approval by the Shareholders in respect of the Proposed Mandate at the GM.

Once a successful bidder for the Sale Equity has been identified, the Company will have an unconditional obligation under the rules of SUAEE (or such other equity exchange as subsequently determined by the Board) to enter into the sale and purchase agreement with such successful bidder and shall, subject to the payment of the consideration by the successful bidder, complete the transaction contemplated thereunder. The Company will not be able to include the approval of the Shareholders which is required under Chapter 14 of the Listing Rules as a condition precedent to the Completion under the rules of SUAEE (or such other equity exchange as subsequently determined by the Board). Accordingly, the Board will seek the Shareholders' advance approval for the grant of the Proposed Mandate at the GM.

VI. Reasons for and benefits of the Proposed Disposal

The Properties were acquired by the Group in 2015 for the purposes of (a) expanding the income stream of the Group through (i) property leasing and (ii) the appreciation potential of property; and (b) conducting the seaplane business with the support of the port for seaplane of the Properties. However, a majority of the Properties have been left vacant since acquisition due to the tightening real estate market policy in the PRC, as a result of which the value of the Properties did not rise but declined. In addition, the seaplane business has not commenced as expected due to an accident occurred in the early stage of the development and the Group received poor market response. Taking into account the safety concerns, the Board made an assessment and decided not to proceed with the seaplane business plan. As detailed in the section headed "III. Properties held by Shanghai Shangju Group" of this announcement, rooms 101 to 106 of Xinhua Jia Li Building have been leased out for aggregate rentals of approximately RMB1.3 million (equivalent to approximately HK$1.4 million) per annum. Nevertheless, the annual finance cost in relation to the Properties amounts to approximately HK$51.0 million in total which has imposed a significant financial burden on the Group. Hence, the Group has been actively seeking opportunity to dispose of the Properties so as to release the funds locked up therein for repayment of debts and working capital of the Group.

The Board is of the view that conducting the Proposed Disposal through SUAEE (or such other equity exchange as subsequently determined by the Board) could attract more potential bidders and maximise the consideration for the Proposed Disposal, which would be in the interests of the Company and the Shareholders as a whole. Also, the transaction costs and expenses through an equity exchange would be much lower than the cost of engagement of a real estate agency. As at the date of this announcement, the Company has contacted several potential bidders who are interested in the Proposed Disposal.

The Company has consulted SUAEE regarding the requirements and tendering procedures applicable to the Proposed Disposal and SUAEE indicated that a tender conditional on shareholders' approval will not be acceptable under the rules of SUAEE. Given such restriction, the Company would not be able to conduct the Proposed Disposal under the public tender process unless a prior mandate is sought.

The Company is of the view that the following appropriate measures are in place to safeguard the interests of the Company and the Shareholders as a whole for the Proposed Disposal:

a. the major terms and conditions in relation to the Proposed Disposal, except for the final consideration and the payment terms, would be fixed and publicly disclosed in this announcement and in the public tender;

b. a minimum bidding price would be set for the Proposed Disposal, meaning that the Company would be protected against any unfavourable bidding results which might not be in the interests of the Company and the Shareholders as a whole;

c. the Proposed Mandate would be subject to Shareholders' approval; and

d. further details in respect of the Proposed Mandate and the Proposed Disposal would be included in the circular to allow the Shareholders to make a properly informed decision.

The Directors are of the view that the Proposed Disposal will be carried out upon normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VII. Use of proceeds and financial impact of the Proposed Disposal

Based on the minimum bidding price, the gross proceeds from the Proposed Disposal are expected to be approximately RMB329.0 million (equivalent to approximately HK$361.9 million) and net proceeds (after deducting the related transaction costs and expenses etc.) are expected to be approximately RMB303.9 million (equivalent to approximately HK$334.3 million). The Group intends to use the net proceeds to repay the interest-bearing liabilities of the Group in the sum of approximately RMB243.1 million, including various loans and/or interests payable and/or the outstanding convertible notes of the Company (details of which are included in the Company's announcement dated 31 December 2018), and the remaining balance of the net proceeds of approximately RMB60.8 million (i) mainly to expand the finance leasing market for other business sectors and (ii) as general working capital of the Group for its daily operations.

The Proposed Disposal is expected to give rise to a loss of around HK$170 million (before taxation, if any) to the Group, calculated as the difference between the minimum bidding price for the Proposed Disposal and the unaudited consolidated net liabilities of Shanghai Shangju Group as at 30 June 2019 (i.e. approximately HK$361.9 million plus approximately HK$174.4 million) after adjustments for the Shareholder's Loan (i.e. minus approximately HK$707.5 million), and the exchange reserve released (i.e. plus approximately HK$25.6 million), together with the transaction costs and expenses etc. in relation to the Proposed Disposal (i.e. minus approximately HK$27.6 million). The actual gain or loss as a result of the Proposed Disposal to be recorded by the Company is subject to final review and audit, and any changes to the carrying amount of Shanghai Shangju Group as at the date of the Completion and the final consideration, and hence may or may not be the same as the aforesaid expected loss.

Despite it is expected that the Proposed Disposal will give rise to a substantial loss to the Group, having considered (i) Shanghai Shangju Group has been making substantial persistent losses of around RMB84.5 million and RMB283.1 million in 2017 and 2018 respectively, including the heavy long-term recurrent financial burden arising from the Properties of approximately HK$51.0 million per annum; and (ii) the Proposed Disposal allows the Group to release the funds locked up for repayment of debts, thus allowing the Group to fulfil its debt repayment obligation and improve its overall gearing position significantly, the Board is of the view that the inevitable one-off loss due to the Proposed Disposal is acceptable.

VIII. Prospects of the Group

As the only material business operations of Shanghai Shangju Group are the holding and leasing of the Properties which are not related to the Group's remaining business and the Properties have been largely left vacant, the Directors believe that the Proposed Disposal will not have material impact on the existing business of the Group. Meanwhile, notwithstanding the one-off loss, the Proposed Disposal is expected to reduce the long-term recurrent financial burden of the Group arising from the annual finance cost of the Properties of approximately HK$51.0 million as well as other related taxes and expenses. In addition, the Group intends to use part of the net proceeds from the Proposed Disposal to repay the interest-bearing liabilities of the Group, so as to improve the Group's overall gearing position.

As referred to in the interim report for the six months ended 30 June 2019 of the Company, as at 30 June 2019, the Group's total debts (including trade payables, other payables and accruals, loans from joint ventures, interest-bearing bank and other borrowings, loans from related companies and loans from non-controlling shareholders) amounted to approximately HK$2,714.5 million, of which approximately HK$602.5 million were repayable within one year. The gearing ratio of the Group was approximately 99.9% as at 30 June 2019.

As at the date of this announcement, the Group was principally involved in the operation of management and operation of light-emitting diode ("**LED**") energy management contracts ("**EMC**"), provision of finance lease and loan services and property investment and provision of land development services in the PRC. The Group operates LED EMC business through its investment in a joint venture.

Based on the positive business prospects, the Group will strive to expand the finance leasing market for other business sectors and value-added customers. The Company will continue to support the cooperation between its wholly-owned subsidiary, Guangdong Ziyutai and other sizeable state-owned enterprises/entities or high-quality public hospitals in the PRC. During the first half of 2019, Guangdong Ziyutai has entered into finance lease arrangements with two public hospitals in the PRC. There are two types of finance lease arrangements provided by the Group, namely direct-lease arrangement and equipment leaseback arrangement. The finance lease arrangements generally cover various types of underlying equipment according to the specific needs of the customers. While high-quality public hospitals in the PRC are the major type of the target customers under the finance lease business segment, other sizeable state-owned enterprises/entities will also be considered. Guangdong Ziyutai is in the course of negotiating for various new finance lease projects located in Sichuan Province, Guangdong Province, Guizhou Province and Shanghai of the PRC, which can reflect the potential market coverage of the Group in the finance leasing market. The Company will continue to support the aforesaid cooperation in the future.

Upon Completion, the Group will still hold investment properties at Jinma Building, which is located in Hai Dian District, Beijing, the PRC. The fair value of such investment properties as at 30 June 2019 was approximately RMB17.6 million. The Group may consider to dispose of such investment properties later.

The land development business of the Group in Fuqing City, Fujian Province of the PRC comprise class 1 land development of New Central Costal City* (中部濱海新城) (the "**Project Land**") and the construction of Ronggang Boulevard* (融港大道) (collectively referred to as the "**Project**"). The Project Land is located within the vicinity of Fuqing City Central Baigeshanken District* (福清市中部白鴿山墾區) of approximately 7,300 mu, with an aggregate developable commercial and residential land of approximately 3,990 mu. In order to have more control of the development of the Project Land, the Company has completed the restructuring plan that the main operational management of AVIC International (Fujian) Industrial Co., Ltd.* (中航國際（福建）實業有限公司), a subsidiary of the Company operating the Project, has been appointed by the Company to monitor the Project directly and to develop business strategy, so that the Company could improve the efficiency of the development of the Project Land. However, due to certain dispute between the Group and the Fuqing City Municipal Government, the land development business is still suspended. The main operational management of the Company will continue to communicate with the PRC government for restarting and promoting the land development business. The Company will make additional disclosures in accordance with the requirements of the Listing Rules when appropriate.

INFORMATION ABOUT THE GROUP

The Company is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 260). As at the date of this announcement, the Group was principally involved in the operation of management and operation of LED EMC, provision of finance lease and loan services and property investment and provision of land development services in the PRC. The Group operates LED EMC business through its investment in a joint venture.

LISTING RULES IMPLICATIONS

Using the minimum bidding price of RMB329,000,001 as the basis of calculation, the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposed Disposal exceeds 75%. Therefore, the Proposed Disposal, if materialised, is expected to constitute a very substantial disposal of the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Proposed Disposal and a notice convening the GM will be despatched to the Shareholders once available. As the Company requires time for compiling the information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 20 December 2019 in order to allow sufficient time for the preparation of such relevant information.

DEFINITIONS

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

"Board"	the board of Directors;
"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which banks are open in the PRC for general commercial business;
"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 Proposed Disposal;
"Director(s)"	the director(s) of the Company;
"Fidelity Finance Leasing"	Fidelity Finance Leasing Limited (信誠融資租賃有限公司), a company incorporated in Hong Kong with limited liability, and as at the date of this announcement, its equity interest is owned as to 100% by Sino Gas Finance;
"GM"	the general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, granting the Proposed Mandate to the Directors;
"Group"	the Company and its subsidiaries;
"Guangdong Ziyutai"	Guangdong Ziyutai Financial Leasing Co., Ltd.* (廣東資雨泰融資租賃有限公司), a company established in the PRC with limited liability, and as at the date of this announcement, its equity interest is owned as to 100% by Fidelity Finance Leasing;

"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Independent Third Party"	a third party independent of the Company and its connected persons (as defined in the Listing Rules);
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China;
"Properties"	the investment properties and car parking spaces held by Shanghai Shangju Group;
"Proposed Disposal"	the proposed public tender for disposal of the Sale Equity through SUAEE (or such other equity exchange as subsequently determined by the Board);
"Proposed Mandate"	the general mandate to be granted in advance to the Directors to enter into and complete the Proposed Disposal by the Shareholders at the GM;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Equity"	the 100% equity interest in Shanghai Shangju;
"Shanghai Shangju"	Shanghai Shangju Enterprise Co., Ltd.* (上海商聚實業有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company;
"Shanghai Shangju Group"	Shanghai Shangju and its subsidiary;
"Shanghai Yunsheng"	Shanghai Yunsheng International Trading Co., Ltd.* (上海匀盛國際貿易有限公司), a company established in the PRC with limited liability, and as at the date of this announcement, its equity interest is owned as to 100% by Shanghai Shangju;
"Share(s)"	ordinary share(s) in the issued share capital of the Company;
"Shareholder(s)"	registered holder(s) of the Share(s);
"Shareholder's Loan"	the outstanding net shareholder's loans owed by Shanghai Shangju Group to the Group as at 30 June 2019;

"Sino Gas Finance"	Sino Gas Finance Limited (中油潔能財務有限公司), a company incorporated in the BVI with limited liability, and as at the date of this announcement, a wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"SUAEE"	Shanghai United Assets and Equity Exchange (上海聯合產權交易所), a comprehensive equity exchange service institution with enterprise legal person qualification approved by the Shanghai People's Government as well as an institution designated by the State-owned Assets Supervision and Administration Commission of the State Council to engage in the transfer of state-owned equities of central enterprises; and
"%"	per cent.

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

Hong Kong, 14 November 2019

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB$1 = HK$1.10 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amounts have been, could have been or may be exchanged.

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

* *For identification purposes only*