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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)

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
CRYSTAL CONCEPT**

THE DISPOSAL

On 12 July 2019, the Company, Crystal Concept, Favour King and Winfield Innovations entered into the Share Transfer Agreement, pursuant to which, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of Crystal Concept, at the Consideration of RMB35,840,000 (equivalent to approximately HK\$40,858,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) in respect of the Disposal is/are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the equity interest of Chengdu Sinogas (an indirect non-wholly owned subsidiary of the Company) is held as to 15% by Favour King. Hence, Favour King, as a substantial shareholder of Chengdu Sinogas, is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Share Transfer Agreement and the Disposal, and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Share Transfer Agreement and the Disposal are fair and reasonable, and that although the Disposal as contemplated under the Share Transfer Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, details of the Share Transfer Agreement and the transactions contemplated thereunder and a notice convening the EGM will be despatched to the Shareholders on or before 2 August 2019 in compliance with the Listing Rules.

INTRODUCTION

On 12 July 2019, the Company, Crystal Concept, Favour King and Winfield Innovations entered into the Share Transfer Agreement, pursuant to which, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of Crystal Concept, at the Consideration of RMB35,840,000 (equivalent to approximately HK\$40,858,000).

THE SHARE TRANSFER AGREEMENT

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

Date

12 July 2019

Parties

- (i) the Company;
- (ii) Crystal Concept;
- (iii) Favour King; and
- (iv) Winfield Innovations

Favour King is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, the equity interest of Chengdu Sinogas (an indirect non-wholly owned subsidiary of the Company) is held as to 15% by Favour King. Hence, Favour King, as a substantial shareholder of Chengdu Sinogas, is a connected person of the Company at the subsidiary level.

Assets to be disposed of

Pursuant to the Share Transfer Agreement, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of Crystal Concept, at the Consideration of RMB35,840,000 (equivalent to approximately HK\$40,858,000).

As at the date of this announcement, Crystal Concept holds the entire issued share capital of Winfield Innovations, which in turn holds 70% equity interest of Chuang Jie Ran Qi and 70% equity interest of Chengdu Sinogas. Chengdu Sinogas holds 100% equity interest in Sichuan Sinogas, 55% equity interest in Chengdu Sheng Yuan and 30% equity interest in Chuang Jie Ran Qi.

Consideration and settlement terms

Pursuant to the Share Transfer Agreement, the Consideration of RMB35,840,000 (equivalent to approximately HK\$40,858,000) is payable in the following manner:

- (1) RMB2,200,000 (equivalent to approximately HK\$2,508,000), RMB4,000,000 (equivalent to approximately HK\$4,560,000) and RMB4,650,000 (equivalent to approximately HK\$5,301,000) (the “**Prepaid Consideration**”) were paid to the Company by Favour King on 10 December 2018, 11 December 2018 and 20 March 2019, respectively, pursuant to a non-legally binding letter of intent entered into among the parties to the Share Transfer Agreement in relation to the Disposal;
- (2) RMB20,340,000 (equivalent to approximately HK\$23,188,000) was satisfied by way of assumption of the obligations to repay the Debts by Favour King in replacement of the Remaining Group so that Favour King shall become the legal debtor to the Debts. The Remaining Group shall be released from all obligations and liabilities in respect of the Debts; and
- (3) RMB4,650,000 (equivalent to approximately HK\$5,301,000) (being the balance of the Consideration) shall be payable by Favour King to the Company (or its nominated subsidiary) prior to the Completion Date.

The Consideration has been arrived at after arm's length negotiations between the Company and Favour King after taking into account, among other things, (i) the historical financial performance and conditions of the Target Group; (ii) the future prospects of the Target Group; and (iii) the balance of the Debts as at 7 December 2018.

Conditions precedent

The Completion shall be conditional upon fulfillment of the following conditions:

- (1) the Company having obtained the Shareholders' approval at the EGM in respect of the Share Transfer Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, and obtained all necessary consents, approvals, confirmations and authorisations required by any applicable laws, regulations, the Listing Rules and other rules and regulations;
- (2) in order to satisfy the condition (1) above, which includes completion of due diligence of the Disposal, preparation of all necessary announcement(s) and circular(s) by the Company, Favour King shall provide the Company with all information requested by the Company, including but not limited to the background information and the ultimate beneficial owner(s) of Favour King; and
- (3) prior to the Completion Date, RMB4,650,000 (equivalent to HK\$5,301,000) (being the balance of the Consideration) shall be paid by Favour King to the Company (or its nominated subsidiary).

In the event that the above conditions precedent cannot be fulfilled on or before the Long Stop Date, the Share Transfer Agreement shall be terminated automatically and be of no further effect save for certain clauses as specified under the Share Transfer Agreement. The Company shall return the Prepaid Consideration to Favour King within five (5) Business Days from the date of termination.

Completion

Completion shall take place after all the above-mentioned conditions precedent have been fulfilled, or such other date as the parties to the Share Transfer Agreement may agree in writing.

Upon Completion, the Company will cease to hold any interest in the companies comprising the Target Group and their financial results will no longer be consolidated into the financial statements of the Group.

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). The principal business activities of the Group comprise (i) operation of compressed natural gas business; (ii) provision of finance leasing and loan services and property investment; and (iii) PPP Class 1 land development business and sales of construction materials in the PRC. The Group also manages and operates light-emitting diode energy management contracts through a 45% owned joint venture of the Company.

INFORMATION ABOUT FAVOUR KING

Favour King is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding.

As at the date of this announcement, the equity interest of Chengdu Sinogas (an indirect non-wholly owned subsidiary of the Company) is held as to 15% by Favour King. Hence, Favour King, as a substantial shareholder of Chengdu Sinogas, is a connected person of the Company at the subsidiary level.

INFORMATION ABOUT THE TARGET GROUP

Crystal Concept

Crystal Concept is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company, and its principal activity is investment holding.

Winfield Innovations

Winfield Innovations is a limited liability company incorporated in Hong Kong and its principal activity is investment holding.

Chengdu Sinogas

Chengdu Sinogas is a company established in the PRC with limited liability and its principal business is the operation of compressed natural gas refueling stations in Sichuan Province of the PRC.

Chuang Jie Ran Qi

Chuang Jie Ran Qi is a company established in the PRC with limited liability and its principal business is the operation of compressed natural gas refueling stations in Sichuan Province of the PRC.

Chengdu Sheng Yuan

Chengdu Sheng Yuan is a company established in the PRC with limited liability and its principal business is the operation of compressed natural gas refueling stations in Sichuan Province of the PRC.

Sichuan Sinogas

Sichuan Sinogas is a company established in the PRC with limited liability and its principal business is natural gas transportation in Sichuan Province of the PRC.

As at the date of this announcement, Crystal Concept holds the entire issued share capital of Winfield Innovations, which in turn holds 70% equity interest of Chuang Jie Ran Qi and 70% equity interest of Chengdu Sinogas. Chengdu Sinogas holds 100% equity interest in Sichuan Sinogas, 55% equity interest in Chengdu Sheng Yuan and 30% equity interest in Chuang Jie Ran Qi.

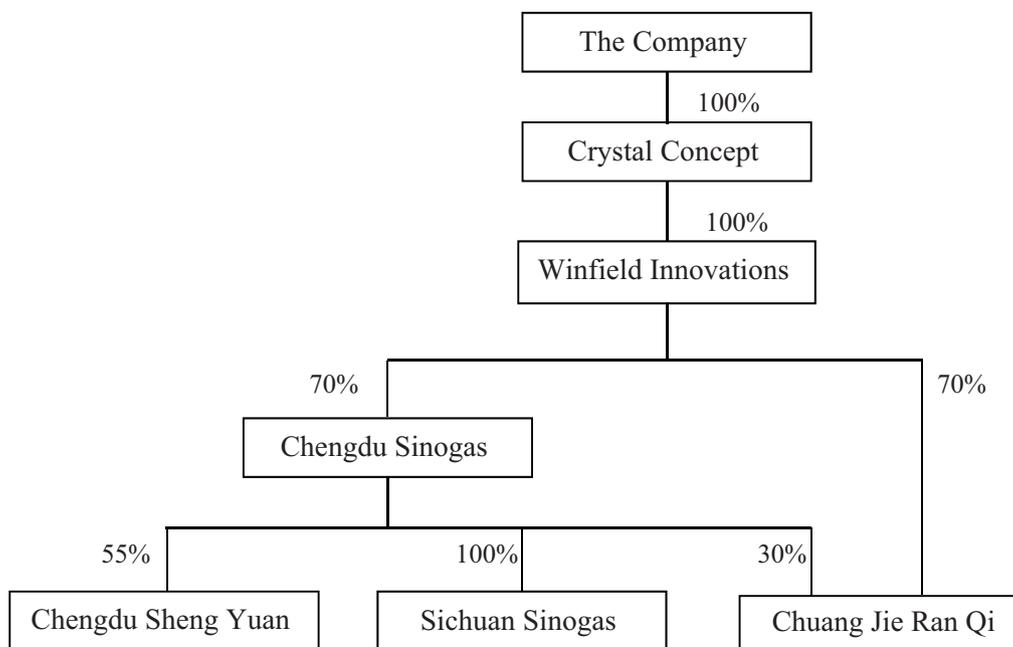
Set out below is the summary of the unaudited financial information of the Target Group for each of the two years ended 31 December 2017 and 2018 prepared according to Hong Kong Financial Reporting Standards:

	For the year	
	ended 31 December	
	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before taxation	(19,519)	8,595
Net (loss)/profit after taxation	(19,603)	7,516

As at 31 December 2018, the Target Group had unaudited consolidated net asset value of approximately HK\$38,558,000.

GROUP STRUCTURE

Set out below is the extract of the Group's structure as at the date of this announcement illustrating the companies comprising the Target Group to be disposed of pursuant to the Share Transfer Agreement:



Note: Crystal Concept is the subject of the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to have any interests in each member of the Target Group. As such, Crystal Concept and its subsidiaries shall cease to be subsidiaries of the Company, their respective financial results and conditions will also be deconsolidated from the consolidated accounts of the Company.

Upon Completion, the Company expects to record a gain on the Disposal of approximately HK\$4,912,000, being the Consideration deducted by, among others, the amount of the goodwill of the Target Group, the unaudited net asset value of the Target Group as at 31 May 2019, the professional fees and other relevant expenses.

The Company expects that the Group will realise an estimated gain of approximately HK\$4,912,000 on the Disposal. The estimated gain on the Disposal is calculated by comparing the estimated net proceeds (after deduction of professional fees and other relevant expenses) of the Disposal of approximately RMB15,219,000 (equivalent to approximately HK\$17,350,000) and the novation of Debts of approximately RMB20,340,000 (equivalent to approximately HK\$23,188,000) against (i) the combined net asset value of the Target Group in aggregate of approximately HK\$37,188,000 as at 31 May 2019; (ii) the transfer of the Debts from the Remaining Group to Favour King; and (iii) the derecognition of goodwill of the Target Group of approximately HK\$7,229,000.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the consolidated net asset value of each member of the Target Group on the Completion Date and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group is principally engaged in the operation of compressed natural gas vehicle refueling stations in Sichuan Province, the PRC. Having considered (i) the intensified competition in the gas market in the PRC; (ii) the combined loss making results of the Target Group in the recent financial years; and (iii) the Consideration represents a premium over the net asset value of the Target Group as at 31 May 2019, 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 reduce its liabilities and alleviate its financial position and/or reallocate the financial resources to other existing businesses of the Group. The Company is expected to receive net proceeds (after deduction of professional fees and other related expenses) of approximately RMB15,219,000 (equivalent to approximately HK\$17,350,000) from the Disposal and intends to apply the net proceeds as the general working capital of the Group.

In light of the foregoing, the Board is of the view that the terms of the Share Transfer Agreement are fair and reasonable, on normal commercial terms and the entering into of the Share 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 ratio(s) in respect of the Disposal is/are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the equity interest of Chengdu Sinogas (an indirect non-wholly owned subsidiary of the Company) is held as to 15% by Favour King. Hence, Favour King, as a substantial shareholder of Chengdu Sinogas, is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Share Transfer Agreement and the Disposal, and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Share Transfer Agreement and the Disposal are fair and reasonable, and that although the Disposal as contemplated under the Share Transfer Agreement is not in the ordinary and usual course of business of the Group, it is on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Director has any material interests in the transactions contemplated under the Share Transfer Agreement and accordingly had not abstained from voting on the relevant resolutions proposed at the Board meeting approving the Share Transfer Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Share Transfer Agreement and the transactions contemplated thereunder and a notice convening the EGM will be despatched to the Shareholders on or before 2 August 2019 in compliance with the Listing Rules.

DEFINITIONS

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

“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
“BVI”	the British Virgin Islands
“Chengdu Sheng Yuan”	Chengdu Sheng Yuan Natural Gas Company Limited* (成都盛源天然氣有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Chengdu Sinogas”	Chengdu Sinogas Company Limited* (成都潔能環保科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement

“Chuang Jie Ran Qi”	Chuang Jie Ran Qi (Chengdu) Company Limited* (創潔燃氣（成都）有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“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 Disposal pursuant to the terms and conditions of the Share Transfer Agreement
“Completion Date”	the date of the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal pursuant to the Share Transfer Agreement
“Crystal Concept”	Crystal Concept Investments Limited, a company incorporated in the BVI with limited liability and is a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Debts”	the debts in the amount of RMB20,340,000 (equivalent to approximately HK\$23,188,000) owed by the Remaining Group to the Target Group as at 7 December 2018
“Director(s)”	the director(s) of the Company
“Disposal”	the conditional disposal of the Sale Shares by the Company to Favour King pursuant to the Share Transfer Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Share Transfer Agreement and the transactions contemplated thereunder

“Favour King”	Favour King Holdings Limited, a company incorporated in Hong Kong with limited liability
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2019, or such other date as agreed by the parties to the Share 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
“Remaining Group”	the Group, excluding the Target Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	all issued shares of Crystal Concept, representing the entire issued share capital of Crystal Concept
“Share Transfer Agreement”	the share transfer agreement dated 12 July 2019 entered into among the Company, Crystal Concept, Favour King and Winfield Innovations in respect of the Disposal
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Sichuan Sinogas”	Sichuan Sinogas Transportation Company Limited* (四川潔能運輸有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Crystal Concept and its subsidiary
“Winfield Innovations”	Winfield Innovations Group Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“%”	percent

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

Hong Kong, 12 July 2019

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB\$1 = HK\$1.14 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount 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, Ms. MU Yan and Ms. FU Xiao as executive Directors; Mr. JIANG Ping, Ms. WU Rui and Mr. GUO Wei as independent non-executive Directors.

* *For identification purpose only*