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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 THE ENTIRE EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY**

#### **DISCLOSEABLE TRANSACTION**

On 11 April 2018, the Company, Jetco Innovations, Shenzhen Sinogas and Shandong Rui Bang entered into the Equity Transfer Agreement, pursuant to which, the Company has conditionally agreed to sell or procure its subsidiaries to sell and Shandong Rui Bang has conditionally agreed to purchase (i) 100% of the issued share capital in Jetco Innovations, which holds 50% of the equity interest in Shandong Sinogas; (ii) 50% of the equity interest in Shandong Sinogas held by Shenzhen Sinogas; and (iii) the Debt for the Consideration of RMB25,500,000 (equivalent to approximately HK\$31.9 million).

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Disposal 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.

#### **INTRODUCTION**

On 11 April 2018, the Company, Jetco Innovations, Shenzhen Sinogas and Shandong Rui Bang entered into the Equity Transfer Agreement, pursuant to which, the Company has conditionally agreed to sell or procure its subsidiaries to sell and Shandong Rui Bang has conditionally agreed to purchase (i) 100% of the issued share capital in Jetco Innovations, which holds 50% of the equity interest in Shandong Sinogas; (ii) 50% of the equity interest in Shandong Sinogas held by Shenzhen Sinogas; and (iii) the Debt for the Consideration of RMB25,500,000 (equivalent to approximately HK\$31.9 million).

## **THE EQUITY TRANSFER AGREEMENT**

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

### **Date**

11 April 2018

### **Parties**

- (i) the Company;
- (ii) Shandong Rui Bang;
- (iii) Jetco Innovations; and
- (iv) Shenzhen Sinogas

Shandong Rui Bang 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, Shandong Rui Bang and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Jetco Innovations is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement.

Shenzhen Sinogas is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

### **Asset to be disposed of**

Pursuant to the Equity Transfer Agreement, (i) the Company has conditionally agreed to sell and Shandong Rui Bang has conditionally agreed to purchase 100% of the share capital of Jetco Innovations, which holds 50% of the equity interest in Shandong Sinogas; (ii) the Company has conditionally agreed to procure Shenzhen Sinogas to sell and Shandong Rui Bang has conditionally agreed to purchase 50% of the equity interest in Shandong Sinogas held by Shenzhen Sinogas; and (iii) transfer of the Debt to Shandong Rui Bang by the Group.

### **Consideration and settlement terms**

Pursuant to the Equity Transfer Agreement, the Consideration is RMB25,500,000 (equivalent to approximately HK\$31.9 million), which shall be satisfied in the following manner:

- (1) as to RMB21,680,000 (equivalent to approximately HK\$27.1 million), or such equivalent amount in HK\$ based on the middle exchange rate published by the People's Bank of China as of the previous Business Day of the payment as agreed by the parties of the Equity Transfer Agreement (the "**Middle Rate**"), shall be payable by Shandong Rui Bang to the Company (or its nominated subsidiary) on the date of the Equity Transfer Agreement (the "**Prepaid Consideration**"); and
- (2) as to the balance of RMB3,820,000 (equivalent to approximately HK\$4.8 million), or such equivalent amount in HK\$ based on the Middle Rate, shall be payable by Shandong Rui Bang to the Company (or its nominated subsidiary) three Business Days before the Completion Date.

The Consideration has been arrived at after arm's length negotiations between the Company and Shandong Rui Bang 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; (iii) the balance of the Debt as at 31 December 2017; and (iv) the combined net liability value based on the unaudited management accounts of the Target Group as at 31 December 2017 of approximately HK\$17 million.

### **The Novation Deed**

As at 31 December 2017, the Debt owed by the Target Group to the Group (excluding the Target Group) amounted to RMB9,963,516 (equivalent to approximately HK\$12.5 million). Pursuant to the Equity Transfer Agreement, the Group (excluding the Target Group) shall complete all legal procedures in respect of transferring the Debt to Shenzhen Sinogas before the Completion Date. And three Business Days before the Completion Date, Shandong Rui Bang, Shandong Sinogas and Shenzhen Sinogas shall enter into a novation deed (the "**Novation Deed**"), pursuant to which, Shandong Rui Bang will have the legal rights and benefit over to the Debt.

### **Conditions precedent**

Completion shall be conditional upon fulfillment of the following conditions:

- (1) the Company shall publish 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) in order to satisfy the condition (1) above, which include completion of due diligence of the Disposal, preparation of all necessary announcement(s) and circular(s) by the Company, Shandong Rui Bang 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 Shandong Rui Bang, and etc.; and
- (3) Shandong Rui Bang having settled the Consideration;

In the event that the above conditions precedent cannot be fulfilled on or before the Long Stop Date, the Equity Transfer Agreement shall automatically lapse and be of no further effect save for certain clauses as specified under the Equity Transfer Agreement. The Company (or its nominated subsidiary) shall return the Prepaid Consideration within five Business Days from the date of termination to Shandong Rui Bang with an interest payment calculated based on HK\$ or RMB (subject to the settlement currency to be agreed) deposit saving rate as quoted by a licensed bank in Hong Kong. The Company shall only return the Prepaid Consideration if the failure to fulfill any abovementioned conditions precedent on or before the Long Stop Date is on the part of Shandong Rui Bang.

### **Completion**

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

Upon Completion, the Company will cease to hold any equity interest in the Target Group, and Shandong Sinogas and its subsidiaries will cease to be subsidiaries of the Company.

### **INFORMATION ON THE GROUP**

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 ON THE TARGET GROUP**

Shandong Sinogas is established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The Target Group is principally engaged in the operation of compressed natural gas refueling stations in the Shandong Province of the PRC.

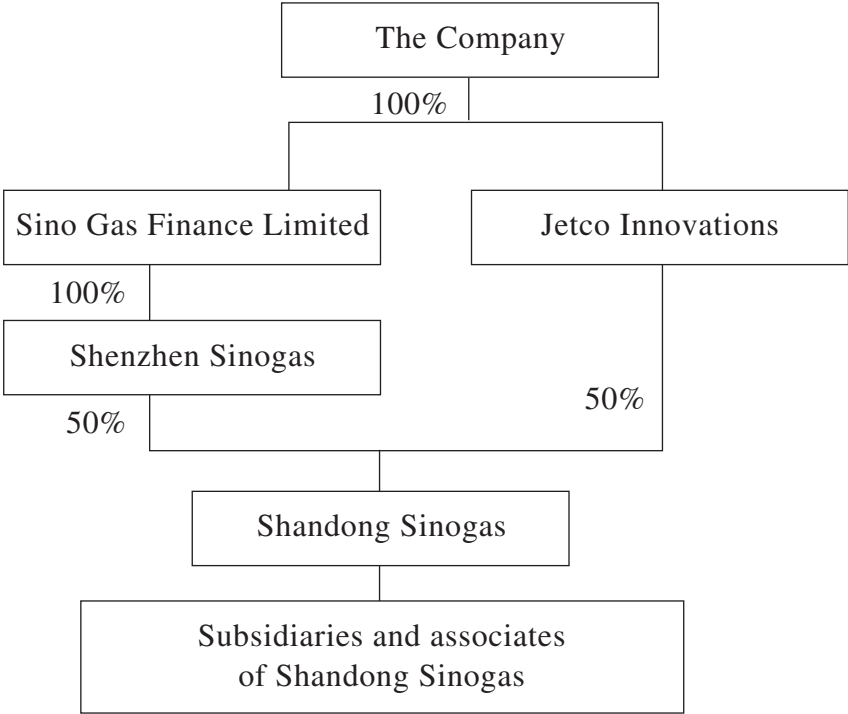
Set out below is the summary of the unaudited financial information of the Target Group for each of the years ended 31 December 2016 and 2017 as extracted from its unaudited management accounts based on Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>	
	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>
Turnover	37,298	27,064
Net loss before taxation	32,851	19,416
Net loss after taxation	32,681	19,416

As at 31 December 2017, the Target Group had unaudited consolidated net liability value of approximately HK\$17 million.

**GROUP STRUCTURE**

Set out below is the extract of the Group’s structure in relation to the Disposal as at the date of this announcement:



## **INFORMATION ON SHANDONG RUI BANG**

Shandong Rui Bang is a company established in the PRC with limited liability. Shandong Rui Bang is principally engaged in design and construction of municipal engineering, construction engineering, electrical engineering, electrical automation control engineering, environmental protection engineering design and construction; project general contracting services; engineering management services; sales of electronic mechanical equipment, automation control equipment, heating equipment, air conditioning equipment, power equipment, water treatment equipment, energy saving and environmental protection equipment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shandong Rui Bang 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 the Target Group, and Shandong Sinogas and its subsidiaries will cease to be subsidiaries of the Company. The financial results and financial position will be deconsolidated from the consolidated financial statements of the Group after Completion.

Upon Completion, the Company expects to record a gain on disposal of approximately HK\$44.8 million, being the Consideration deducted by, among others, the amount of the goodwill, the unaudited net asset value of the Target Group as at 31 December 2017 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**

The Target Group is principally engaged in the operation of compressed natural gas refueling stations in the Shandong Province of the PRC. Having considered (i) the intensified competition in the gas market in the PRC; (ii) the 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 December 2017, the Board is of the view that the Disposal is a good opportunity for the Company to realise a gain on disposal and enable the Group to reallocate the financial resources to any suitable investment opportunities which would 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 RMB15.5 million (equivalent to approximately HK\$19.4 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 owned 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 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:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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
“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 Equity Transfer Agreement
“Completion Date”	the date of satisfaction of all relevant conditions precedent in the Equity Transfer Agreement or such other date as may be mutually agreed between the parties
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Interest payable by Shandong Rui Bang to the Company (or its nominated subsidiary) pursuant to the Equity Transfer Agreement
“Debt”	the aggregate amount of debts owed by the Target Group to the Group (excluding the Target Group) as at 31 December 2017, which amounted to RMB9,963,516 (equivalent to approximately HK\$12.5 million)
“Director(s)”	the director(s) of the Company
“Disposal”	the conditional disposal of the Sale Interest by the Company and Shenzhen Sinogas to Shandong Rui Bang pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 11 April 2018 entered into among the Company, Shandong Rui Bang, Jetco Innovations and Shenzhen Sinogas 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
“Jetco Innovations”	Jetco Innovations 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2018, 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 other 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
“Sale Interest”	100% of the issued share capital in Jetco Innovations, 50% of the equity interest in Shandong Sinogas held by Shenzhen Sinogas and the Debt
“Shandong Rui Bang”	山東瑞邦工程技術有限公司 (Shandong Rui Bang Technology Engineering Co., Ltd*), a company established in the PRC with limited liability
“Shandong Sinogas”	山東中油潔能天然氣有限公司(Shandong Sinogas Company Limited*), a company established in the PRC with limited liability which is owned as to 50% by Jetco Innovations and 50% by Shenzhen Sinogas as at the date of this announcement



“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Shandong Sinogas and its subsidiaries
“%”	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\$1.25. 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.*

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

Hong Kong, 11 April 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.*

\* *for identification purpose only*