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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
FINANCE LEASE TRANSACTION**

FINANCE LEASE AGREEMENTS

The Board hereby announces that on 25 May 2022 (after trading hours), Zi Yu Tai, an indirect wholly-owned subsidiary of the Company (as the Lessor) entered into the Finance Lease Agreements with the Lessee, pursuant to which (i) the Lessor shall acquire the Leased Assets owned by the Lessee at a transfer consideration of RMB13,000,000 (equivalent to HK\$15,340,000); and (ii) the Lessor shall lease the Leased Assets back to the Lessee for the Lease Period with a total lease payment of RMB14,593,212 (equivalent to HK\$17,219,990).

Upon the expiry of the Lease Period and subject to the fulfilment of all conditions by the Lessee under the Finance Lease Agreements (including payment of all the lease payments and other payables), the Lessor shall transfer the ownership of the Leased Assets back to the Lessee at a nominal consideration of RMB1,000 (equivalent to HK\$1,180).

LISTING RULES IMPLICATION

As one or all of the applicable percentage ratio of the transaction under the Finance Lease Agreements is higher than 5% but all are lower than 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the announcement requirement but is exempt from the circular and shareholders' approval requirement under Chapter 14 of the Listing Rules.

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Details of the Finance Lease Agreements are summarized as follows:

Date

25 May 2022 (after trading hours)

Parties

- (1) the Lessor; and
- (2) the Lessee

To the best of the Directors' knowledge, information, and belief after having made all reasonable enquiries, the Lessee and its ultimate beneficial owner are Independent Third Parties.

Sale of the Leased Assets

Pursuant to the Finance Lease Agreements, the Lessor agreed to purchase the Leased Assets originally owned by the Lessee on an "as is" basis at an aggregate consideration of RMB13,000,000 (equivalent to HK\$15,340,000), and shall be paid by the Lessor to the Lessee on the Payment Date by way of bank transfer subject to the satisfaction of certain conditions including, among others, the Lessor having received the relevant documentary proof for confirming (i) the receipt of security deposit and management fees by the Lessor; (ii) the applicable approval documents of the Lessee in respect of the transactions contemplated under the Finance Lease Agreements; and (iii) the Guarantee Agreement having become effective and applicable approval documents of the Guarantor in respect of the guarantee under the Guarantee Agreement.

The consideration for the acquisition of the Lease Assets will be funded by the Lessor's internal resources.

The consideration for the sale of the Lease Assets was determined after arm's length negotiation between the parties with reference to the fair market prices of the Leased Assets and the amount of financing agreed to be provided by the Lessor.

Leased Assets

The Leased Assets are certain machinery and equipment located in the PRC. The unaudited net book value of the Leased Assets as at 31 December 2021 is RMB24,992,940 (equivalent to HK\$29,491,669).

Lease Period

The Lease Period of the relevant Leased Assets shall be 36 months from the Payment Date.

Lease Payment and Method of Payment

Pursuant to the Finance Lease Agreements, the Lessor agreed to lease back the Leased Assets to the Lessee the total lease payment of RMB14,593,212 (equivalent to HK\$17,219,990), which comprises the lease principal of RMB13,000,000 (equivalent to HK\$15,340,000) and the lease interest of RMB1,593,212 (equivalent to HK\$1,879,990). The lease principal and lease interest shall be paid by Lessee to the Lessor on a quarterly basis during the Lease Period. During the Lease Period, the interest rate is not be adjustable notwithstanding any change to the LPR.

Besides, pursuant to the Finance Lease Agreements, management fees of RMB130,000 (equivalent to HK\$153,400) and security deposit of RMB1,216,101 (equivalent to HK\$1,434,999) shall be paid by the Lessee to the Lessor 5 working days before the Lessor pays the transfer consideration for the Leased Assets.

The lease interest and management fees under the Finance Lease Agreements were determined upon arm's length negotiation between the Lessee and the Lessor with reference the prevailing market rates for (i) finance leases for similar assets; and (ii) similar finance lease services.

Leased Assets and Their Ownership

During the Lease Period, the ownership of the Leased Assets will vest in the Lessor and the Lessee will be entitled to occupy and use the Leased Assets.

Upon the expiry of the Lease Period and subject to the fulfilment of all conditions by the Lessee under the Finance Lease Agreements (including payment of all the lease payments and other payables), the Lessor shall transfer the ownership of the Leased Assets back to the Lessee at a nominal consideration of RMB1,000 (equivalent to HK\$1,180).

Guarantee

The payment obligations of the Lessee under the Finance Lease Agreements are secured by the guarantee provided by the Guarantor under the Guarantee Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENTS

The Finance Lease Agreements were entered into by the Company in its ordinary and usual course of business. The entering into the Finance Lease Agreements with the Lessees is beneficial to the Company by increasing the income of its finance lease business and is consistent with the Company's business development strategy.

The Directors (including the independent non-executive Directors) are of the view that the terms under the Finance Lease Agreements were arrived at after arm's length negotiations between the parties thereto and were under normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Company and 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) provision of finance lease and loan services and property investment; (ii) provision of PPP Class 1 land development services; and (iii) management and operation of light-emitting diode energy management contracts in the PRC. The Group also operates light-emitting diode energy management contracts through its investment in a joint venture.

Information of the Lessor

The Lessor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in provision of finance lease and loan services.

Information of the Lessee

The Lessee is a company incorporated in the PRC with limited liability and its shares listed on the Shanghai Stock Exchange (SSE Stock Code: 603616). The Guarantor holds 35.06% of the equity interest in the Lessee as the date of this announcement.

The Lessee is principally engaged in manufacture and sale of Prestressed Concrete Cylinder Pipe* ("PCCP") (預應力鋼筒混凝土管) and the cement products such as reinforced concrete drainage pipes* (鋼筋混凝土排水管). The main product PCCP is mainly used for large and medium-sized water conservancy and drainage works.

Information of the Guarantor

The Guarantor is a company incorporated in the PRC with limited liability. It holds 35.06% of the equity interest in the Lessee as at the date of this announcement.

The Guarantor is principally engaged in general contractor of constructions, including commercial buildings, town constructions, renovation of old communities and non-housing-related projects of the PRC government and institutions.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	means the board of directors of the Company
“Company”	means AVIC Joy Holdings (HK) Limited, 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)
“Connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company
“Finance Lease Agreements”	means the finance lease agreement, sale and purchase agreement and Guarantee Agreement in respect of the Leased Assets entered into between the Lessor and the Lessees on 25 May 2022
“Group”	means the Company and its subsidiaries
“Guarantee Agreement”	means the guarantee agreement entered into between the Guarantor and the Lessor on 25 May 2022 in relation to a guarantee provided by the Guarantor in favour of the Lessor for all the payment obligations of the Lessee under the Finance Lease Agreements

“Guarantor”	means Beijing Hanjian Group Co., Ltd.* (北京韓建集團有限公司), a company incorporated in the PRC with limited liability, which holds 35.06% of the equity interest in the Lessee as at the date of this announcement.
“Hanjian Heshan” or “Lessee”	means Beijing Hanjian Heshan Pipeline Co., Ltd.* (北京韓建河山管業股份有限公司), a company incorporated in the PRC with limited liability and its shares listed on the Shanghai Stock Exchange (SSE Stock Code: 603616). It is held as to 35.06% of its equity interest by the Guarantor as the date of this announcement.
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	means third party(ies) independent of and not connected with the Company and its connected persons
“Leased Assets”	means certain machinery and equipment for the operation of Hanjian Heshan as stipulated under the Finance Lease Agreements
“Lease Period”	36 months from the Payment Date
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange
“LPR”	means the loan prime rate promulgated by the People’s Bank of China
“Payment Date”	the date of payment of the consideration of RMB13,000,000 (equivalent to HK\$15,340,000) by the Lessor to the Lessee pursuant to the Finance Lease Agreements as described in the section headed “Sale of the Leased Assets” above
“PRC”	means 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”	means Renminbi, the lawful currency of the PRC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Zi Yu Tai” or “Lessor” means Guangdong Zi Yu Tai Finance Leasing Company* (廣東資雨泰融資租賃有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%” means per cent

* *For identification purposes only*

By Order of the Board
AVIC Joy Holdings (HK) Limited
CHANG Chien
Chairman and Executive Director

Hong Kong, 25 May 2022

As at the date of this announcement, the board of Directors comprises:

Executive Directors

Mr. Chang Chien, Mr. Lam Toi Man and Mr. Zhu Chengye

Independent Non-Executive Directors

Mr. To Chun Kei, Mr. Weng Huaren, Mr. Kam, Eddie Shing Cheuk