

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker, a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in FY Financial (Shenzhen) Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FY FINANCIAL (SHENZHEN) CO., LTD.
富銀融資租賃(深圳)股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8452)

MAJOR AND CONNECTED TRANSACTION
SALE AND LEASEBACK ARRANGEMENT WITH BEIJING CITY
LONGDING HUAYUAN PROPERTY DEVELOPMENT CO., LTD.
AND
NOTICE OF EGM

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders



PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of coronavirus disease (COVID-19) pandemic, the following measures will be implemented at the EGM:

- mandatory body temperature check;
- compliance with the latest epidemic prevention policy requirement of the PRC government and presentation of the corresponding health certificate;
- mandatory wearing of surgical face masks; and
- no refreshments for attendees.

The Company reserves the right to deny entry into or require any person to leave the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is having a body temperature of over 37.4 degree Celsius; and/or (iii) has any flu-like symptoms.

For the health and safety of Shareholders, the Company would like to encourage the Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person.

Terms used in the cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 14 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 33 of this circular.

A notice convening the EGM to be held at Room 2903A, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Wednesday, 14 October 2020 at 10:30 a.m. is set out on pages 48 to 50 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.fyleasing.com).

Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or the Company's head office in the PRC at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC (for holders of Domestic Shares and/or Unlisted Foreign Shares) as soon as possible but in any event not less than 24 hours before the time fixed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

25 September 2020

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Agreements”	the Asset Transfer Agreement and the Lease Agreement
“Announcement”	the announcement of the Company dated 17 August 2020
“Asset Transfer Agreement”	the asset transfer agreement dated 17 August 2020 between the Company and the Lessee regarding the sale of the Lease Assets by the Lessee
“associates(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in the PRC
“Company”	FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the GEM
“Dayuan Tiandi”	Beijing Municipality Dayuan Tiandi Property Development Co., Ltd (北京市大苑天地房地產開發有限公司), a company established in the PRC and a substantial shareholder of the Company
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under the laws of the PRC and are unlisted Shares which are currently not listed or traded on any stock exchange
“EGM”	the extraordinary general meeting of the Company to be held at Room 2903A, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Wednesday, 14 October 2020 at 10:30 a.m.

DEFINITIONS

“Factoring Agreement I”	a factoring agreement entered into between the Company and the Lessee on 9 October 2017 pursuant to which the Company agreed to provide accounts receivable factoring services to the Lessee with a principal amount of RMB41,800,000
“Factoring Agreement II”	two factoring agreements entered into between a wholly-owned subsidiary of the Company and two associates of Dayuan Tiandi, namely Shanghai Kuaijie Enterprise Management Co., Ltd (上海快頡企業管理有限公司) and Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展有限公司) on 9 August 2019, pursuant to which the wholly-owned subsidiary of the Company agreed to provide accounts receivable factoring services to the two associates of Dayuan Tiandi in the aggregate amount of RMB25,000,000
“Factoring Agreements”	Factoring Agreement I and Factoring Agreement II
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries as at the Latest Practicable Date
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the terms of the Agreements and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation authorised to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreements
“Independent Shareholders”	Shareholder(s) other than Dayuan Tiandi and its associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, Supervisors, chief executive or substantial shareholders of the Company, its subsidiaries and their respective associates
“Latest Practicable Date”	22 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lease Agreement”	the lease agreement dated 17 August 2020 entered into between the Company as lessor and the Lessee as lessee in relation to the lease of the Lease Assets to the Lessee
“Lease Assets”	a total of 1,513 units of equipment for property development project including but not limited to fans, air-conditioners, ventilation equipment, elevators, power supply equipment and water-pump equipment as referred to in the Asset Transfer Agreement
“Lessee”	Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限公司), a limited liability company established in the PRC and the lessee under the Lease Agreement
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale and Leaseback Arrangement”	an arrangement involving the sale of the Lease Assets by the Lessee to the Company under the Asset Transfer Agreement and the lease back of the Lease Assets by the Company to the Lessee under the Lease Agreement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) with nominal value of RMB1.00 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi by persons other than PRC natural persons or entities established under the laws of the PRC and are Shares which are currently not listed or traded on any stock exchange
“%”	per cent.

If there is any inconsistency between the Chinese names of the entities, companies or legal entities incorporated in the PRC mentioned in this circular and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such entities, companies or legal entities are provided for illustration purposes only.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the outbreak of coronavirus disease (COVID-19) pandemic (the “**COVID-19 Pandemic**”), to safeguard the health and safety of Shareholders who might be attending the EGM in person, the Company will implement the following precautionary measures at the EGM:

- Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the EGM venue. Any person with a body temperature above 37.4 degree Celsius, or is exhibiting flu-like symptoms, may be denied entry into the EGM venue and be required to leave the EGM venue.
- Shareholders, proxies and other attendees are required to comply with the latest epidemic prevention policy requirements of the PRC government and present the corresponding health certificate. Any person who does not comply with this requirement will be required to leave the EGM venue.
- Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement will be required to leave the EGM venue.
- No refreshments will be served at the EGM.

Shareholders who are feeling unwell are advised not to attend the EGM.

For the health and safety of Shareholders, the Company would like to encourage the Shareholders to appoint the chairman of the EGM as their proxy to vote on the resolution at the EGM, instead of attending the EGM in person.

As the COVID-19 Pandemic continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to the Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time. Shareholders are advised to check the Company’s website at www.fyleasing.com for further announcements and updates on the EGM arrangements that may be issued.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of the COVID-19 Pandemic.

LETTER FROM THE BOARD

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8452)

Executive Directors:

Mr. Li Peng (李鵬)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩)

Registered Office:

Room 201, Block A
No. 1 Qianwan First Road
Qianhai Shenzhen-Hong Kong Cooperation Zone
Shenzhen, Guangdong
PRC

Non-Executive Directors:

Mr. Zhuang Wei (莊巍)
Mr. Qian Cheng (錢程)
Mr. Sun Luran (孫路然)

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai

Independent Non-executive Directors:

Mr. Fung Che Wai Anthony (馮志偉)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

Hong Kong

25 September 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
SALE AND LEASEBACK ARRANGEMENT WITH BEIJING CITY
LONGDING HUAYUAN PROPERTY DEVELOPMENT CO., LTD.
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement in relation to the Sale and Leaseback Arrangement and the transactions contemplated under the Agreements.

The purpose of this circular are to provide the Shareholders with, among other things, (i) details of the Sale and Leaseback Arrangement, the Agreements and the transactions contemplated under the Agreements; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM to consider and, if thought fit, to approve the Agreements and the transactions contemplated under the Agreements.

LETTER FROM THE BOARD

SALE AND LEASEBACK ARRANGEMENT

On 17 August 2020, the Company entered into the Agreements for the Sale and Leaseback Arrangement which comprises:

- (i) the Asset Transfer Agreement pursuant to which the Company has agreed to purchase the Lease Assets at an aggregate consideration of RMB72,000,000; and
- (ii) the Lease Agreement pursuant to which the Company has agreed to lease the Lease Assets back to the Lessee at a monthly rental payment of RMB2,341,000 for a term of 36 months.

The principal terms and conditions of the Agreements are summarised as follows:

(1) Asset transfer agreement

Parties:	The Company (as purchaser) The Lessee (as seller)
Assets involved:	A total of 1,513 units of equipment for property development project including but not limited to fans, air-conditioners, ventilation equipment, elevators, power supply equipment and water-pump equipment.
Purchase price:	The purchase price payable for the Lease Assets under the Asset Transfer Agreement is RMB72,000,000.
Basis of determining the purchase price:	The purchase price was determined after arm-length negotiations between the Company and the Lessee with reference to, among others, the original purchase price of the Lease Assets amounted to approximately RMB92,000,000, the general condition of the Lease Assets which were ready for use for seven months having considered the estimated useful life of Lease Assets of 10 years and the second-hand value of the Lease Assets which approximates the purchase price of the Lease Assets under the Asset Transfer Agreement.

LETTER FROM THE BOARD

Payment of the purchase price: The Company shall make a cash payment of RMB64,800,000, being the purchase price of RMB72,000,000 netting off with the security deposit of RMB7,200,000 required under the Lease Agreement, within 10 Business Days upon all the conditions precedent set out in the Asset Transfer Agreement being fulfilled.

The entire sum of the purchase price payable by the Company under the Asset Transfer Agreement will be satisfied by internal resources of the Company.

Ownership of the Lease Assets: The title of the Lease Assets shall be transferred to the Company on an "as-is" basis upon the full payment or the first payment (if more than one payment) made by the Company pursuant to the Asset Transfer Agreement.

Conditions precedent: Conditions precedent includes the taking effect of the Asset Transfer Agreement, the Independent Shareholders approval have been obtained in accordance with the Company's constitutional documents and the GEM Listing Rules and the receipt of the following documents by the Company from the Lessee:

- (i) the original receipt of the Lease Assets or a copy of such receipt stamped with the company chop of the Lessee;
- (ii) an original payment advice stamped with the company chop of the Lessee and a receipt issued by the Lessee bearing the purchase price of the Leased Assets pursuant to the Asset Transfer Agreement and the Asset Transfer Agreement number; and
- (iii) an original list of the Lease Assets and a written confirmation on the receipt of the Lease Assets by the Lessee, both stamped with the company chop of the Lessee.

LETTER FROM THE BOARD

(2) Lease agreement

Parties:	The Company (as lessor) The Lessee (as lessee)
Subject asset and lease term:	The Lease Assets purchased under the Asset Transfer Agreement shall be leased by the Company to the Lessee for a term of 36 months commencing from the date of the full payment or the first payment (if more than one payment) of the purchase price by the Company to the Lessee pursuant to the Asset Transfer Agreement.
Conditions precedent:	The Lease Agreement shall be conditional upon: (i) the signing of the Asset Transfer Agreement; (ii) the taking effect of the guarantee agreements and the security agreements referred to therein; (iii) the initial monthly rental payment under the Lease Agreement having been received by the Company; and (iv) the Independent Shareholders approval having been obtained in accordance with the Company's constitutional documents and the GEM Listing Rules.
Lease payment:	The lease payment under the Lease Agreement shall be paid in cash by the Lessee at a monthly rental payment of RMB2,341,000 for a term of 36 months. The lease payment has been agreed after arm's length negotiations between the Company and the Lessee with reference to the purchase costs of the Lease Assets by the Company, the creditability of the Lessee and the prevailing market interest rate for similar lease arrangement.

LETTER FROM THE BOARD

- Security deposit:** A security deposit of RMB7,200,000 shall be paid by the Lessee to the Company to guarantee the obligations of the Lessee under the Lease Agreement.
- Transfer of ownership of the Lease Assets after the end of lease:** At the end of the lease term of the Lease Agreement and subject to the fulfilment of all obligations by the Lessee under the Lease Agreement, the ownership of the Lease Assets will be transferred to the Lessee upon the payment of a nominal consideration of RMB100 to the Company.
- Default payment:** If the Lessee fails to pay any amount of lease payment due or (if any) any other amount or reimburse any expenses paid by the Company on behalf of the Lessee at the request of the Lessee on time and in full, the Lessee shall make default payment in the sum equivalent to the product of (i) the amount of late payment; (ii) a daily default rate of 0.1%; and (iii) the number of days from the payment due date to the full settlement date.
- Events of default:** The Company may take possession and dispose of the Lease Assets and/or declare that the outstanding lease payment, other amounts payable by the Lessee and the default payment shall be immediately payable by the Lessee and/or take appropriate actions in the occurrence of certain triggering events, including, among others, the failure by the Lessee to pay on time any instalment of the lease payment or any other amount payable by it in full or the failure of the Lessee in performing any duties and obligations under the Lease Agreement.
- The Lessee shall also compensate the Company with any expenses incurred and losses suffered by the Company as a result of the default by the Lessee.
- Guarantee:** Each of Dayuan Tiandi and Mr. Gong Liang (貢亮), who holds 45% of equity interest in Dayuan Tiandi and is a director and the legal representative of each of Dayuan Tiandi and the Lessee, respectively entered into a guarantee agreement in favour of the Company in respect of all debt payable by the Lessee to the Company pursuant to the Lease Agreement.

LETTER FROM THE BOARD

PREVIOUS TRANSACTION

Prior to entering into the Sale and Leaseback Arrangement, the Company has entered into the Factoring Agreement I with the Lessee pursuant to which the Company agreed to provide accounts receivable factoring service to the Lessee with a principal amount of RMB41,800,000. Details of the Factoring Agreement I are set out in the Company's announcement of 9 October 2017 and circular of 3 November 2017.

In addition, a wholly-owned subsidiary of the Company has entered into the Factoring Agreement II with two associates of Dayuan Tiandi on 9 August 2019 pursuant to which the wholly-owned subsidiary of the Company agreed to provide accounts receivable factoring services to the two associates of Dayuan Tiandi with an aggregate amount of RMB25,000,000. Details of the Factoring Agreement II are set out in the Company's announcement of 9 August 2019 and circular of 9 September 2019.

As at the Latest Practicable Date, the outstanding amount due from the Lessee and the two associates of Dayuan Tiandi to the Group under the respective Factoring Agreements were approximately RMB14,200,000 and RMB19,500,000, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The principal business of the Company is the provision of finance leasing and advisory services to its customers in the PRC.

The entering into of the Sale and Leaseback Arrangement is in the ordinary and usual course of business of the Company and will enable the Company to earn an aggregate income of approximately RMB11,581,132 (exclusive of value-added tax in a total amount of RMB694,868) over the lease term.

Before entering into the Agreements, the Company, through the business department and risk management department, has performed due diligence and a credit assessment on the Lessee in accordance with the Group's internal assessment policies, among others, on the Lessee's management team, financial status, credit history, repayment capabilities, business operation, future prospect, purpose of the funds from the Sale and Leaseback Arrangement to be applied by the Lessee and the fair value of the Leased Assets. Based on the information available to the Company and that the Lessee has a good repayment history in relation to the Factoring Agreement I, the Company satisfied that the Lessee has a good credit standing and thus offered the terms under the Agreements which are determined with reference to the terms offered by the Company to Independent Third Party customers with similar due diligence and credit assessment results, and on normal commercial terms.

The Company would review the Lease Assets on a regular basis, including performing on-site visit to inspect the status of the Lease Assets, and reviewing financial conditions, business expansion plan, and change of the shareholders or employees of the Lessee during the term of the Lease Agreement, so as to identify potential default and take prompt appropriate action under the Lease Agreement.

Given that the Sale and Leaseback Arrangement is being entered into in the ordinary and usual course of business of the Company and on the normal commercial terms and that the Company has satisfied with the due diligence and credit assessment results on the Lessee, the Directors are of the view that the terms of the Agreements are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC.

The Lessee

The Lessee is a limited liability company established in the PRC and is principally engaged in the property development in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Lessee is held as to 90% by Dayuan Tiandi (being 55% held by Mr. Zhao Dehua (趙得驊) and 45% held by Mr. Gongliang (貢亮)), 9.17% by Beijing Huien Investment Consultancy Company Limited* (北京匯恩投資顧問公司) (being 100% held by Mr. Ma Xiaosong (馬曉松)), 0.5% by Beijing Chengjian Real Estate Development Co., Ltd (北京城建房地產開發有限公司) (being 100% held by the People's Government of Beijing Municipality, 0.33% by Mr. Zhang Wanguo (張萬國)). Save for Dayuan Tiandi, all other shareholders of the Lessee and their ultimate beneficial owners are Independent Third Parties.

To the best of the Director's knowledge, Dayuan Tiandi is principally engaged in real estate development, Beijing Huien Investment Consultancy Company Limited is principally engaged in provision of consultancy services, and Beijing Chengjian Real Estate Development Co., Ltd is principally engaged in property development, sales of properties, properties rental business, carpark rental and provision of storage services.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Lessee is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company which holds 80,000,000 Domestic Shares, representing 22.26% of the total number of issued Shares as at the Latest Practicable Date, and thus is a connected person of the Company. Accordingly, the transactions contemplated under the Agreements are connected transactions. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for the transactions contemplated under the Agreements, when aggregate with the Factoring Agreements, exceed 25% but are less than 100%, the transactions contemplated under the Agreements constitute a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under the GEM Listing Rules.

None of the Directors has any material interest in the transactions contemplated under the Agreements and therefore none of them had abstained from voting on the resolution of the Board approving the Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

EGM

Set out on pages 48 to 50 of this circular is the notice of EGM during which ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Agreements and the transactions contemplated thereunder. In accordance with Rule 17.47(4) of the GEM Listing Rules, all votes to be taken at the EGM will be by poll. Dayuan Tiandi and its associates, who were interested in a total of 80,000,000 Domestic Shares representing approximately 22.26% of the total number of issued Shares as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the Agreements and the transactions contemplated under the Agreements. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Dayuan Tiandi and its associates, none of the Shareholders is required to abstain from voting on the resolution to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.fyleasing.com). Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or the Company's head office in the PRC at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC (for holders of Domestic Shares and/or Unlisted Foreign Shares) as soon as possible but in any event not less than 24 hours before the time fixed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Thursday, 24 September 2020 to Wednesday, 14 October 2020, both days inclusive, during which period no Share transfers can be registered. In order to be eligible to attend and vote at the EGM, all transfer documents of Shares accompanied by the relevant share certificates must be lodged with the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for H Shares), or the Company's head office in the PRC at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC (for Domestic Shares and/or Unlisted Foreign Shares) for registration not later than 4:30 p.m. on Wednesday, 23 September 2020.

Shareholders whose names appear on the register of members of the Company after the close of business on Wednesday, 23 September 2020 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendations to the Independent Shareholders on the Sale and Leaseback Arrangement and the transactions contemplated under the Agreements; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 33 of this circular which contains, among other matters, its opinions in relation to the terms of the Agreements and the transactions contemplated under the Agreements. Your attention is also drawn to the additional information set out in the appendices to this circular.

The Independent Board Committee, having taken into account, among others, the advice of the Independent Financial Adviser, is of the view that the terms of the Agreements and the transactions contemplated under the Agreements are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in respect of the approval of the Agreements and the transactions contemplated under the Agreements.

The Directors (including all the independent non-executive Directors, after considering the advice of the Independent Financial Advisers) consider that the Agreements and the transactions contemplated under the Agreements are fair and reasonable, on normal commercial terms and are conducted in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole and therefore recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Yours faithfully
By order of the Board
FY Financial (Shenzhen) Co., Ltd.
Zhuang Wei
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Agreements and the transactions contemplated under the Agreements.

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8452)

25 September 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION SALE AND LEASEBACK ARRANGEMENT WITH BEIJING CITY LONGDING HUAYUAN PROPERTY DEVELOPMENT CO., LTD.

We refer to the circular of the Company dated 25 September 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Agreements and the transactions contemplated under the Agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and how the Independent Shareholders should vote.

Octal Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of Agreements and the transactions contemplated under the Agreements. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out on pages 17 to 33 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 6 to 14 of the Circular, which contains, among other things, details of the Sale and Leaseback Arrangement and the Agreements, the transactions contemplated under the Agreements, and the letter from the Independent Financial Adviser set out on pages 17 to 33 of the Circular, which contains the advice from the Independent Financial Adviser in respect of the terms of the Agreements and the transactions contemplated under the Agreements.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have discussed with the management of the Company the reasons for entering into the Agreements and the transactions contemplated under the Agreements, and the basis upon which the terms of the Agreements have been determined. We have also considered the key factors taken into consideration by the Independent Financial Adviser in forming its opinions regarding the terms of the Agreements and the transactions contemplated under the Agreements as set out in its letter on pages 17 to 33 of the Circular, which we urge you to read carefully.

Having considered the advice given by the Independent Financial Adviser and key factors in arriving at its advice, we consider that the Agreements and the transactions contemplated under the Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Agreements and the transactions contemplated under the Agreements.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Fung Che Wai Anthony
Independent
Non-executive Director

Hon Leung
Independent
Non-executive Director

Liu Shengwen
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Octal Capital Limited
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

25 September 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreements, details of which are set out in the letter from the Board contained in this Circular of the Company dated 25 September 2020 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 17 August 2020, the Company entered into the Agreements with the Lessee under which the Company would purchase the Lease Assets from the Lessee at an aggregate consideration of RMB72,000,000 and would lease the Lease Assets to the Lessee for a term of 36 months in return for lease payments.

The Lessee is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company which holds 80,000,000 Domestic Shares, representing approximately 22.26% of the total number of issued Shares as at the Latest Practicable Date, and thus a connected person of the Company under the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for the transactions contemplated under the Agreements, when aggregate with the Factoring Agreements, exceed 25% but are less than 100%, the transactions contemplated under the Agreements constitute a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen, has been established to consider and advise the Independent Shareholders on whether the terms of the Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the entering into of the Agreements and the transactions contemplated under the Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we, are not connected with the directors, chief executives and substantial shareholders of the Company or any of their respective subsidiaries or associates or parties acting in concert with any of them and do not have any shareholding, directly or indirectly, in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we have been engaged as an independent financial adviser to the Company in respect of the discloseable and continuing connected transactions in relation to the Factoring Agreement II, details of which are set out in the circular of the Company dated 9 September 2019 (the “**Previous Engagement**”). Under the Previous Engagement, we were required to express our opinion on and give recommendation to the Independent Board Committee and the Independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relation would not affect our independence. We are independent of the Company pursuant to Rule 17.96 of the GEM Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in this Circular and have assumed that all information and representations made or referred to in this Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group and the transactions, including the information and representations contained in this Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in this Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in this Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in this Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and its associates nor have we carried out any independent verification of the information supplied. The Company will notify the Independent Shareholders of any material changes after the Latest Practicable Date and after the dispatch of this Circular. The Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Agreements, we have taken the following principal factors and reasons into consideration:

1. Background information of the Group

The Group is principally engaged in the provision of finance leasing, factoring, advisory services, customer referral services and the trading of medical equipment in the PRC.

The major information of the consolidated statement of comprehensive income for the years ended 31 December 2018 (“FY2018”) and 2019 (“FY2019”) and for the six months ended 30 June 2019 (“1H2019”) and 2020 (“1H2020”) extracted from the annual report of the Company for FY2019 (the “2019 Annual Report”) and the interim report of the Company for 1H2020 (the “2020 Interim Report”) are summarised below:

	FY2018	FY2019	1H2019	1H2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Finance lease income				
<i>(Note 1)</i>	86,391	78,479	41,284	35,365
Factoring income	20,810	27,090	12,077	12,851
Advisory service fee income	17,469	27,776	14,149	3,534
Income from sale of goods				
<i>(Note 2)</i>	22,933	18,304	10,279	17,499
Commission income	<u>7,926</u>	<u>982</u>	<u>802</u>	<u>–</u>
 Total revenue	 <u>155,529</u>	 <u>152,631</u>	 <u>78,591</u>	 <u>69,249</u>
 Direct cost	 (53,523)	 (43,282)	 (22,425)	 (26,724)
Gross profit	102,006	109,349	56,166	42,525
Gross profit margin (%)	65.6%	71.6%	71.5%	61.4%
 Profit after tax	 40,203	 36,061	 25,853	 12,942

Notes:

1. Finance lease income comprises interest income from direct finance leasing and sale-leaseback arrangements.
2. Income from sale of goods is mainly derived from import and domestic trade of medical equipment, as well as the provision of maintenance services for medical equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2018 and FY2019

During FY2019, the revenue of the Group amounted to approximately RMB152.6 million, representing a decrease of approximately RMB2.9 million from approximately RMB155.5 million for FY2018. As disclosed in the 2019 Annual Report, the decrease in revenue was mainly due to the reduction of the interest income from finance leases.

During FY2019, the Group's gross profit amounted to approximately RMB109.3 million, representing an increase of approximately RMB7.3 million compared to approximately RMB102.0 million for FY2018. This is mainly due to the decrease of the Group's direct costs of approximately RMB10.2 million from approximately RMB53.5 million for FY2018 to approximately RMB43.3 million in FY2019, which was primarily attributable to the decrease in interest expenses on interest-bearing bank and other borrowings from approximately RMB29.4 million for FY2018 to approximately RMB19.7 million for FY2019.

The profit after tax of the Group decreased by approximately RMB4.1 million from approximately RMB40.2 million for FY2018 to approximately RMB36.1 million FY2019, primarily as a result of increase in operating expenses of approximately RMB6.3 million and increase in administrative expenses of approximately RMB4.1 million, partially offset by the increase in the gross profit of approximately RMB7.3 million.

Comparison between 1H2019 and 1H2020

During 1H2020, the Group recorded revenue of approximately RMB69.2 million, representing a decrease of approximately 11.9% from approximately RMB78.6 million for 1H2019. The decrease was mainly due to revenue reduction in (i) finance leasing services as a result of decrease in demand due to the temporary suspension of operation and production of the Group's downstream customers in certain areas in the PRC; and (ii) advisory service as a result of travel restrictions imposed by PRC government in various areas to curb the spread of the COVID-19 which disrupted the customer due diligence progress.

During 1H2020, the Group recorded a profit after tax of approximately RMB12.9 million, representing a decrease of approximately 49.9% from approximately RMB25.9 million for 1H2019. As disclosed in the 2020 Interim Report, the decrease was mainly attributable to the aforementioned decrease in revenue and the increase in direct cost of approximately RMB4.3 million due to an increase in cost of medical equipment sold.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The major information of the consolidated statement of financial position of the Group as at 30 June 2020 extracted from the 2020 Interim Report are summarised below:

	As at 30 June 2020 <i>RMB'000</i> (unaudited)
Non-current assets	
– Accounts receivable	301,650
– Restricted bank deposits	16,823
– Others	15,010
	333,483
Total non-current assets	333,483
Current assets	
– Accounts receivable	624,392
– Restricted bank deposits	76,900
– Prepayments, deposits and other receivables	13,419
– Cash and cash equivalents	46,456
– Bills receivable	1,552
	762,719
Total current assets	762,719
Total assets	1,096,202
Current liabilities	
– Interest-bearing bank and other borrowings	413,545
– Amount due to an intermediate holding company	20,048
– Others	100,896
	534,489
Total current liabilities	534,489
Non-current liabilities	
– Deposits from finance lease customers and suppliers	76,496
– Interest-bearing bank and other borrowings	13,104
– Others	3,145
	92,745
Total non-current liabilities	92,745
Total liabilities	627,234
Net assets	468,968
Current ratio (current assets divided by current liabilities)	1.43 times
Gearing ratio (total liabilities divided by total equity)	133.7%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's assets as at 30 June 2020 mainly include accounts receivable of approximately RMB926.0 million and restricted bank deposits of approximately RMB93.7 million, which represented approximately 93.0% of the total assets of the Group. The cash and cash equivalents of the Group was approximately RMB46.5 million as at 30 June 2020.

As at 30 June 2020, the Group's liabilities mainly include interest-bearing bank and other borrowings of approximately RMB426.6 million and deposits from finance lease customers and suppliers (including current and non-current portion) of approximately RMB143.1 million, which represented approximately 90.8% of the total liabilities of the Group. The Group's gearing ratio as at 30 June 2020 was approximately 133.7%.

2. Background information of the Lessee

The Lessee is a limited liability company established in the PRC and is principally engaged in the property development in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for Dayuan Tiandi, all other shareholders of the Lessee and their ultimate beneficial owners are Independent Third Parties.

Based on the audited accounts of the Lessee for the year ended 31 December 2019, we noted that as at 31 December 2019, the net current assets of the Lessee was approximately RMB4,238.6 million. We have also reviewed the unaudited financial statements of the Lessee as at 31 May 2020 and noted that the net current assets of the Lessee was approximately RMB4,409.6 million.

Prior to entering into the Agreements, the Company has entered into the Factoring Agreement I with the Lessee pursuant to which the Company agreed to provide accounts receivable factoring service to the Lessee with a principal amount of RMB41.8 million. Details of the Factoring Agreement I are set out in the Company's circular dated 3 November 2017.

In addition, a wholly-owned subsidiary of the Company has entered into the Factoring Agreement II with two associates of Dayuan Tiandi on 9 August 2019 pursuant to which the wholly-owned subsidiary of the Company agreed to provide accounts receivable factoring services to the two associates of Dayuan Tiandi with an aggregate amount of RMB25.0 million. Details of the Factoring Agreement II are set out in the Company's circular dated 9 September 2019.

As at the Latest Practicable Date, the outstanding amount due from the Lessee and the two associates of Dayuan Tiandi to the Group were approximately RMB14.2 million and RMB19.5 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Agreements

(i) *Principal terms*

On 17 August 2020, the Company entered into the Agreements which comprise:

- (i) the Asset Transfer Agreement pursuant to which the Company has agreed to purchase the Lease Assets at an aggregate consideration of RMB72,000,000; and
- (ii) the Lease Agreement pursuant to which the Company has agreed to lease the Lease Assets back to the Lessee at a monthly rental payment of RMB2,341,000 for a term of 36 months.

The principal terms and conditions of the Agreements are summarised below:

(1) Asset Transfer Agreement

Parties:	The Company (as purchaser) The Lessee (as seller)
Assets involved:	The Lease Assets
Purchase price:	RMB72,000,000
Payment of the purchase price:	Cash payment of RMB64,800,000, being the purchase price of RMB72,000,000 netting off with the security deposit of RMB7,200,000 under the Lease Agreement.
Ownership of the Lease Assets:	The title of the Lease Assets shall be transferred to the Company on an "as-is" basis upon the full payment or the first payment (if more than one payment) made by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) Lease Agreement

Parties:	The Company (as lessor) The Lessee (as lessee)
Subject asset:	The Lease Assets
Lease term:	36 months
Lease payment:	a monthly rental payment of RMB2,341,000 for a term of 36 months paid in cash
Security deposit:	RMB7,200,000, being 10% of the principal amount
Transfer of ownership of the Lease Assets after the end of lease:	Ownership of the Lease Assets will be transferred to the Lessee upon the payment of a nominal consideration of RMB100 to the Company.
Guarantors:	(i) Dayuan Tiandi (ii) Mr. Gong Liang (貢亮)
Guarantee:	Each of Dayuan Tiandi and Mr. Gong Liang, who holds 45% of equity interest in Dayuan Tiandi and is a director and the legal representative of each of Dayuan Tiandi and the Lessee entered into a guarantee in favour of the Company in respect of the all debt payable by the Lessee to the Company.

Principal Amount

We understand from the management of the Company that the principal amount is determined on a case-by-case basis with reference to factors including (i) the overall strength and competitiveness of its customers as well as financial condition, business operation, repayment capability and credit status of the customers; (ii) the financial capability of the Group for provision of the funding under the Agreements; and (iii) the reference value of the Lease Assets as advised by an independent valuer.

The purchase price of the Asset Transfer Agreement will be financed by internal resources of the Company. Based on our review of the bank balance of the Company and the Directors' confirmation on the sufficiency of working capital of the Group for the upcoming 12 months together with its relevant documents, we concur with the Directors that the Group has sufficient funding to finance the transactions contemplated under the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Underlying Assets

The Lease Assets comprise of a total of 1,513 units of equipment, including but not limited to fans, air-conditioners, ventilation equipment, elevators, power supply equipment and water-pump equipment, which were installed in various block of buildings within a real estate project developed by the Lessee (the “**Property**”) in Tiancun Road, Haidian District, Beijing, the PRC (北京海澱區田村路). We noted that the Lessee has obtained pre-sale certificate for certain buildings of the Property from the Beijing Municipal Commission of Housing and Urban-Rural Development in December 2019 and commenced pre-sale in the first quarter of 2020.

For our due diligence purpose, we have obtained and reviewed the purchase contracts and value-added tax receipts in relation to the Lease Assets and noted that the Lease Assets were purchased by the Lessee during the period from 2016 to 2019 which are ready for use in the first quarter of 2020 since the commencement of pre-sale of the Property and are beneficially owned by the Lessee. We have also reviewed the Assessment Report (as defined below) and noted that the risk management department has performed on-site visit in February and April 2020 to review the status of the Lease Assets, including the existence, designated usage and conditions of the Lease Assets.

We are advised by the Company that the Company would review the Lease Assets on a regular basis, details of which is elaborated in the section headed “Internal control measures within the Group” in this letter. Based on the above, we are of the opinion of that the principal is secured by the value of the Lease Assets.

Guarantee by Dayuan Tiandi and Mr. Gong Liang

In the event of default, the Lessee shall compensate the Company with any expenses incurred and losses suffered by the Company as a result of the default by the Lessee. Dayuan Tiandi and Mr. Gong Liang are responsible in respect of all debt payable by the Lessee to the Company pursuant to the Lease Agreement. Apart from being the guarantor for the Agreements, Dayuan Tiandi and Mr. Gong Liang are also the guarantors for the Factoring Agreement I.

To assess the financial competency of the guarantors for both the Agreements and the Factoring Agreement I, we have reviewed the audited accounts of Dayuan Tiandi for the year ended 31 December 2019 and noted that Dayuan Tiandi had total assets, net assets, account and other receivables and cash balance of approximately RMB265.3 million, RMB187.4 million, RMB88.8 million and RMB23.5 million respectively as at 31 December 2019. We also note that Dayuan Tiandi has a registered capital of RMB150 million as at the Latest Practicable Date, which is fully paid up.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering the latest available financial information of Dayuan Tiandi and Mr. Gong Liang's indirect interest in the Company, we are in the opinion that Dayuan Tiandi and Mr. Gong Liang, on a jointly basis, are financially competent to be the guarantors under the Agreements. As such, we consider that the exposure to the Group under the Agreements could be covered by the guarantors.

(i) Reasons and benefits for entering into the Agreements

The Group is principally engaged in the provision of finance leasing, factoring, advisory services, customer referral services and the supply of medical equipment in the PRC. The Group provides customised financial leasing services tailored for customers in a number of strategic industries, including fast-moving consumer goods, electronics, medical, alternative energy, transportation and machinery parts processing industries.

With reference to the 2019 Annual Report and the 2020 Interim Report, the finance leasing income amounted to approximately RMB78.5 million and RMB35.4 million respectively, and accounted for approximately 51.4% and 51.1% of the total revenue during FY2019 and 1H2020, respectively. The entering into of the Agreements is in the ordinary and usual course of business of the Company and will enable the Group to derive the expected amount of finance lease interest income of approximately RMB11,581,132 (exclusive of value-added tax in a total amount of RMB694,868) over the lease terms.

In the first half of 2020, the global spreading of COVID-19 has caused significant impact on global social and economic development, which has led to increased risk exposure of the Group's finance leasing business. In response to the uncertainty in the economic outlook, it is the intention of the Group to maintain its development in a prudent manner with deepening of relationship with current customers, strengthening of risk control and focusing on post-lease supervision in its business activities.

The Lessee was established in the PRC with principal businesses encompassing property development in the PRC. We understand from the management of the Company that the Group has established a stable, long-term business relationship with the Lessee and had been providing finance leasing service relating to building materials to the Lessee and its subsidiaries since December 2015. For FY2018 and FY2019, the Company has provided finance leasing and factoring services to the Lessee which accounted for approximately 2.6% and approximately 1.7% of the revenue of the Group, respectively. As further advised by the Company, the Lessee has no previous overdue record in relation to the transactions between the Group and the Lessee as at the Latest Practicable Date. We concur with the view of the management of the Company that the Lessee has a good credit standing and thus it is commercially beneficial to continue the business relationship with the Lessee. Moreover, the Sale and Leaseback Arrangement will provide the Group with a stable income and cashflow stream during the lease term which is in line with the ongoing development of finance leasing business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Assessment of the principal terms of the Agreements

In assessing the fairness and reasonableness of the terms of the Agreements, we have reviewed and summarised the announcements in relation to the sale and leaseback and direct leasing agreements for the period from 1 January 2019 to 31 July 2020 on the website of the Stock Exchange by the Company (the “**Historical Agreements**”). We consider that the selection would provide a benchmarking comparison for our analysis of transactions of the Company with similar nature. Details of the principal terms of the Historical Agreements are set out below:

Date	Nature of agreement	Principal (RMB million)	Internal rate of return (per annum) (Note 1)	Lease term (months)	Nature of lease assets	Proportion of security deposits to principal
3 June 2020	Sale and Leaseback	15.0	10.7%	36	Paper manufacturing facilities, equipment and systems	10.0%
10 March 2020	Sale and Leaseback	12.0	12.4%	35	Manufacturing facilities, equipment and systems for wood processing	10.0%
9 January 2020	Direct Leasing	31.9	9.9%	36	Construction elevators and tower cranes	10.0%
21 October 2019	Direct Leasing	17.3	7.7%	23	Equipment used for the production of cameras	0.0%
26 August 2019	Direct Leasing	15.3	7.7%	23	Machines	0.0%
7 August 2019	Sale and Leaseback	8.0	7.8%	23	Machines	0.0%
	Maximum		12.4%			
	Minimum		7.7%			
	Average		9.4%			
	Median		8.9%			
The Agreements	Sale and Leaseback	72	12.7%	36		10.0%

Notes:

1. Internal rate of return is calculated based on lease payments, amount of principal and repayment schedule provided by the Company.
2. All of the Historical Agreements (i) have the lessees being an Independent Third Party; (ii) are guaranteed and/or secured; and (iii) have payment schedule on a monthly basis as disclosed in respective announcements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Internal Rate of Return

With reference to the calculation of internal rate of return (“IRR”) of the Historical Agreements provided by the management of the Company, we noted that the IRR of approximately 12.7% represented by the Agreements is higher than the upper bound of that of the Historical Agreements.

In addition, for our due diligence purpose, we have obtained a summary of the Company’s finance leasing transactions for the period from 1 January 2020 to 30 June 2020 and noted that among those transactions with a term of 36 months, the IRR ranged from approximately 7.69% to approximately 14.79% with an average of approximately 11.12%, where the IRR of the Agreements fell within such range. Accordingly, we considered that the IRR of the Agreements represented reasonable return for finance leasing activities of the Company.

Duration

The lease term of the Agreements is 36 months, which is generally in line with the lease term of the Historical Agreements. We noted from the management of the Company that the Lease Assets have an estimated useful life of 10 years and it is reasonable that the lease term is within with the useful lives of the Lease Assets.

For our due diligence purposes, we have further reviewed the list of sale and leaseback transactions of the Company from January 2020 to June 2020 entered into by the Group and noted that certain of these finance lease transactions, being 47 out of 253, have a lease term of 36 months. As such, we noted that the Company has been offering the duration of 36 months in its historical sale and leaseback transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Repayment of the principal amount

The lease payment under the Lease Agreement shall be paid in cash by the Lessee on a monthly basis over 36 months. Such repayment schedule is same to that of the Historical Agreements.

We have reviewed the audited financial report of the Lessee for the year ended 31 December 2019 and the unaudited financial statements of the Lessee as at 31 May 2020 and noted that the net current assets of the Lessee was approximately RMB4,238.6 million and RMB4,409.6 million as at 31 December 2019 and 31 May 2020 respectively.

Comparable Transactions

To further assess the fairness and reasonableness of the major terms of the Agreements, we have conducted research on the companies listed on the Stock Exchange and identified 20 sale and leaseback transactions (the “**Comparable Transactions**”) published and entered into during the period from 1 May 2020 to 31 July 2020 based on the criteria that (i) these companies are principally engaged in finance leasing and factoring business with related revenue accounted for over 50% of their total revenue in the latest financial year; and (ii) the announcements of the Comparable Transactions have disclosed sufficient information for comparison purpose (including principal amount, provision of guarantee and/or security and lease repayment terms). We are of the view that samples from the three-month review period sufficiently provide good indication of the recent terms agreed under finance lease and the Comparable Transactions set forth in the below table represent an exhaustive list based on such criteria and are relevant and appropriate comparables to the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the major terms of the Comparable Transactions:

Date of announcement	Date of agreement	Company Name	Stock code	Interest rate per annum/ effective interest rate	Lease term (Years)	With guarantee/ security	Basis of lease payment
7 May 2020	7 May 2020	Zhongguancun Science-Tech Leasing	1601	6.0% (Note 1)	1.5	Guarantee and security	Monthly basis
8 May 2020	8 May 2020	Byleasing Holdings	8525	5.8% (Note 1)	3	N/A	Monthly basis
14 May 2020	14 May 2020	Zhongguancun Science-Tech Leasing	1601	6.0% (Note 1)	3	Guarantee	Monthly basis
29 May 2020	29 May 2020	Zhongguancun Science-Tech Leasing	1601	6.4% (Note 1)	3	Guarantee and security	Quarterly basis
4 June 2020	4 June 2020	Zhongguancun Science-Tech Leasing	1601	6.5% (Note 1)	3	Guarantee	Quarterly basis
4 June 2020	4 June 2020	China Development Bank Financial Leasing	1606	4.3% (Note 2)	10	N/A	Half-yearly basis
10 June 2020	10 June 2020	China Development Bank Financial Leasing	1606	5.8% (Note 2)	5	N/A	Quarterly basis
11 June 2020	11 June 2020	China Development Bank Financial Leasing	1606	4.2% (Note 2)	5	Guarantee	Half-yearly basis
11 June 2020	11 June 2020	China Development Bank Financial Leasing	1606	5.6% (Note 2)	5	Guarantee	Half-yearly basis
12 June 2020	12 June 2020	Zhongguancun Science-Tech Leasing	1601	6.3% (Note 1)	3	Guarantee	Quarterly basis
29 June 2020	29 June 2020	Zhongguancun Science-Tech Leasing	1601	5.8% (Note 1)	4	Guarantee and security	Quarterly basis
30 June 2020	30 June 2020	Zhongguancun Science-Tech Leasing	1601	5.5% (Note 1)	3	Guarantee	Quarterly basis
30 June 2020	30 June 2020	Zhongguancun Science-Tech Leasing	1601	5.3% (Note 1)	3	Guarantee and security	Quarterly basis
3 July 2020	2 July 2020	China Investment Holdings	132	7.7% (Note 2)	5	Guarantee	Quarterly basis
17 July 2020	17 July 2020	China Development Bank Financial Leasing	1606	5.8% (Note 2)	9.5	Guarantee and security	Quarterly basis
17 July 2020	17 July 2020	China Development Bank Financial Leasing	1606	5.1% (Note 2)	3	Guarantee	Half-yearly basis
20 July 2020	17 July 2020	China Investment Holdings	132	9.6% (Note 2)	5	Guarantee and security	Quarterly basis
24 July 2020	24 July 2020	Zhongguancun Science-Tech Leasing	1601	6.5% (Note 1)	3	Guarantee and security	Quarterly basis
28 July 2020	28 July 2020	Zhongguancun Science-Tech Leasing	1601	5.6% (Note 1)	3	Guarantee	Monthly basis
31 July 2020	31 July 2020	Byleasing Holdings	8525	12.2% (Note 1)	3	N/A	Monthly basis
			Maximum	12.2%	10.0		
			Minimum	4.2%	1.5		
			Average	6.3%	4.2		
		The Company	8452	10.5%	3.0	Guarantee	Monthly Basis

Notes:

1. Interest rate per annum is extracted from respective announcements.
2. Effective interest rate is calculated based on total lease payment divided by loan amount as disclosed in respective announcements.
3. All of the Comparable Transactions are conducted with the independent third party of the respective companies as disclosed in their announcements.

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Based on the above table, we noted that the interest rate per annum of the Comparable Transactions ranged from approximately 4.2% to 12.2% with an average of approximately 6.3%. The effective interest rate of 10.5% per annum under the Agreements is within the range and higher than the average of the interest rates represented by the Comparable Transactions, where the interest rate charged by the Company is no less favourable than the interest rates of the Comparable Transactions.

The term of the Comparable Transactions ranged from approximately 1.5 years to 10.0 years with an average of approximately 4.2 years. On this basis, we consider it is reasonable for the Company to adopt the duration of 3.0 years under the Agreements.

A majority of the Comparable Transactions, being 16 out of 20, provided guarantees and/or security in favour of the lenders of the finance lease agreements. This suggests that the majority of lenders obtain guarantees to secure the recovery of the lease principal and interest.

Having considered in particular that (i) the repayment schedule is comparable to that of the Historical Agreements; (ii) the net current assets of the Lessee is sufficient to finance the repayment of instalments; (iii) the interest rate and the duration of the Agreements are within the range of Comparable Transactions, and the interest rate charged by the Company is no less favourable than the interest rates of the Comparable Transactions; and (iv) the guarantee under the Agreements provided extra protection against credit risk, we are of the view that the terms under the Agreements are on normal commercial terms and are fair and reasonable to the Group.

(iii) Internal control measures within the Group

We have enquired on the internal control procedures of the Company and are advised that the Company has adopted internal control measures with the asset management department, business department, finance department and risk management department of the Company are collectively responsible for portfolio management under the Agreements. We noted that before entering into the Agreements, the Company, through the business department and risk management department, has performed due diligence and a credit assessment on the Lessee in accordance with the Group's internal assessment policies, among others, on the Lessee's management team, financial status, credit history, repayment capabilities, business operation, future prospect, purpose of the funds from the Sale and Leaseback Arrangement to be applied by the Lessee and the fair value of the Lease Assets, etc. We have reviewed the assessment report (the "**Assessment Report**") prepared by the risk management department of the Company in relation to the due diligence and risk assessment for the Agreements dated 20 February 2020 and noted that the risk management department (i) examined the Agreements and performed on-site visit to confirm the existence and accuracy of the Agreements; (ii) conducted background check and litigation check to assess creditworthiness

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of the Lessee with no negative results found. Based on the due diligence work performed by the risk management department, the department formed a conclusion that (i) the Property has commenced pre-sale in the first quarter of 2020 and it is expected that the sales of such residential units may bring cash inflow to the Lessee; and (ii) based on the credit reference report issued by the People's Bank of China, the Lessee remained good credit standing without late payment record in the past three years.

Further, we noted that the Assessment Report was circulated to the project assessment committee for review and was approved by all six committee members on 2 March 2020. Since the transaction amount was over RMB10 million, the Agreements and the Assessment Report were passed to the risk and investment committee for further review. We also examined the internal approval document and noted that the Agreements and the Assessment Report were approved by all five committee members of the risk and investment committee on 9 March 2020.

Regarding the continuing obligation of the Company under the Agreements, we noted that the asset management department will send payment reminders to the Lessee on a monthly basis and prepare monthly reports relating to the status of such receivable for the senior management of the Company to review. The finance department is responsible to monitor the status of repayment from Lessee and provide feedback to the asset management department and the senior management of the Company to liaise with the Lessee and revise a solution plan. The Company would review the Lease Assets on a regular basis, including performing on-site visit to inspect the status of the Lease Assets, and reviewing financial conditions, business expansion plan, and change of the shareholders or employees of the Lessee during the term of the Lease Agreement, so as to identify any potential default risk and take prompt and appropriate action under the Lease Agreement. Accordingly, we are of the view that there are policies in place for the ongoing monitoring of the Lease Agreements under the internal control policy of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, in particular, (i) the loan amount is secured with guarantee from the guarantors; (ii) the guarantors are financially competent; (iii) the IRR represented by the Agreements are more favorable than that of the Historical Agreements; (iv) the interest rate per annum represented by the Agreements are within the range of the Comparable Transactions; and (v) the due diligence and risk assessment work carried out by the Company with satisfactory result and proper managerial approvals, we are of the view that the terms of the Agreements are in the ordinary and usual course of business of the Group, are on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Agreements and the transactions contemplated under the Agreements.

Yours faithfully
For and on behalf of
Octal Capital Limited

Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019, AND FOR THE SIX MONTHS ENDED 30 JUNE 2020

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019, and for the six months ended 30 June 2020 is disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.fyleasing.com) respectively:

- interim report of the Company for the six months ended 30 June 2020 (pages 35 to 80)
(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0813/2020081300706.pdf>)
- annual report of the Company for the year ended 31 December 2019 (pages 78 to 160)
(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000836.pdf>)
- annual report of the Company for the year ended 31 December 2018 (pages 78 to 156)
(<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0306/gln20190306097.pdf>)
- annual report of the Company for the year ended 31 December 2017 (pages 77 to 136)
(<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328583.pdf>)

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of RMB419,691,382, details of which are set out below.

	As at 31 July 2020 RMB
Banking borrowings analysed as:	
Secured	151,464,359
Unsecured	268,227,023
	<u>419,691,382</u>
Banking borrowings analysed as:	
Guaranteed	362,613,007
Unguaranteed	57,078,375
	<u>419,691,382</u>
Carrying amount repayable:	
Within one year	401,560,437
Within one to five year	18,130,945
After five years	–
	<u>419,691,382</u>

Pledge of assets

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, certain of the Group's assets have been pledged to secure the borrowings of the Group. The aggregate carrying amount of the pledged assets of the Group as at 31 July 2020 is as follows:

	As at 31 July 2020 RMB
Accounts receivables	108,081,727
Bank deposits	96,806,515
	<u>204,888,242</u>
Total pledged assets	<u>204,888,242</u>

Saved as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, term loans, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other contingent liabilities as at 31 July 2020.

3. FINANCIAL IMPACT OF THE SALE AND LEASEBACK ARRANGEMENT

As a result of undertaking the transactions under the Agreements, the Group will earn an aggregate income of approximately RMB11,581,132 (exclusive of value-added tax in a total amount of RMB694,868) over the lease term, and its assets will be increased by RMB72,000,000 and its liabilities will be increased by RMB7,200,000.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Since this year, the outbreak of COVID-19 has caused serious impacts on many countries and regions around the world including China. Given the uncertainty in the demand for the Group's finance lease and factoring services, the Group has reduced the planned capital investment for its finance lease and factoring businesses and shifted its focus from active business expansion to prudent risk and asset management. In the long run, the Group intends to expand its market coverage and customer base by targeting its customers from specific industries such as electronics, fast-moving consumer goods, alternative energy, medical and machinery parts processing industries. As a financial services company, the Company recognises the importance of risk management and therefore will continue improve the comprehensive risk management system to focus on improving risk management and internal control capabilities, strengthening market risk research and closely monitor non-performing assets for keeping overall asset quality stable. Furthermore, the Company will continue to enhance its capability of providing professional services and creating long-lasting value for its customers, which the Directors believe will enable the Company to form its core competitiveness.

5. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the existing financial resources, available existing unutilised credit facilities and the proposed facilities supported by letters of intent issued by the banks, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date up to which the latest published audited accounts of the Company were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the Directors, Supervisors or the chief executive of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in associated corporation

Name	Associated corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
Mr. Zhuang Wei	Shanshan Holding Co., Ltd. (杉杉控股有限公司)	Interest of a controlled corporation	22,000,000	2.20

Note: Mr. Zhuang Wei is deemed to be interested in the shares of Shanshan Holding Co., Ltd. (杉杉控股有限公司) held by Ningbo Meishan Bonded Port Area Longhe Investment Partnership (L.P.) (寧波梅山保港區瀧和投資合夥企業(有限合夥)), which is a corporation 99% owned by Mr. Zhuang Wei. Shanshan Holding Co., Ltd. (杉杉控股有限公司) is a controlling shareholder of the Company.

Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests and short positions of the substantial shareholders of the Company in the Shares and underlying Shares

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Shares held in the relevant class of Shares		Shares held in the total share capital of the Company	
			Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Hong Kong Shanshan Resources Company Limited (香港杉杉資源有限公司) ("Shanshan HK") ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Unlisted foreign shares	Beneficial owner	149,500,000 (L)	100%	149,500,000 (L)	41.60%
Shanshan Lithium Industry Co., Ltd. (Former name: Ningbo Shanshan Co., Ltd.) 杉杉鋰電材料股份有限公司 (前稱: 寧波杉杉股份有限公司) ("Shanshan") ⁽²⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

Name of Shareholder	Class of Shares	Nature of interest	Shares held in the relevant class of Shares		Shares held in the total share capital of the Company	
			Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Shanshan Group Co., Ltd. (杉杉集團有限公司) ("Shanshan Group") ⁽³⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Yonggang Clothing Investment Co., Ltd. (寧波甬港服裝投資有限公司) ("Ningbo Yonggang") ⁽⁴⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Holding Co., Ltd. (杉杉控股有限公司) ("Shanshan Holding") ⁽⁵⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Qingang Investment Co., Ltd. (寧波青剛投資有限公司) ("Qingang Investment") ⁽⁶⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

Name of Shareholder	Class of Shares	Nature of interest	Shares held in the relevant class of Shares		Shares held in the total share capital of the Company	
			Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Mr. Zheng Yonggang ⁽⁷⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ms. Zhou Jiqing ⁽⁷⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. (北京市大苑天地房地產開發有限公司) ("Dayuan Tiandi") ⁽⁸⁾	Domestic shares	Beneficial owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua ⁽⁸⁾	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang ⁽⁸⁾	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio ⁽⁹⁾	H Shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%

Name of Shareholder	Class of Shares	Nature of interest	Shares held in the relevant class of Shares		Shares held in the total share capital of the Company	
			Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
KKC Capital Limited ⁽¹⁰⁾	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
Tiger Capital Fund SPC – Tiger Global SP ⁽¹¹⁾	H Shares	Beneficial owner	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%
A Plus Capital Management Limited ⁽¹¹⁾	H Shares	Investment manager	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares or underlying Shares. As at the Latest Practicable Date, the Company issued a total of 359,340,000 Shares, including 120,000,000 Domestic Shares, 89,840,000 H Shares and 149,500,000 Unlisted Foreign Shares.
- (2) Shanshan is a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600884) and the sole shareholder of Shanshan HK. Shanshan is also indirectly interested in 40% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創暉創業投資管理有限公司) which is the general partner of Nantong Shanshan Venture Capital Centre (Limited Partnership) (南通杉杉創業投資中心(有限合夥)) (“**Nantong Shanshan**”). By virtue of the SFO, Shanshan was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan. As at the Latest Practicable Date, Mr. Zhuang Wei was a director of Shanshan.
- (3) Shanshan Group holds 32.69% of the registered share capital of Shanshan, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan. As at the Latest Practicable Date, Mr. Zhuang Wei was a director and chairman of the board of Shanshan Group.
- (4) Ningbo Yonggang is interested in 10.44% of the registered share capital of Shanshan Group, which (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (5) Shanshan Holding directly holds approximately 7.18% of the registered share capital of Shanshan and indirectly holds approximately 32.69% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in 97.34% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly holds 54.08% and indirectly holds 10.44% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (6) Qinggang Investment owns approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (7) Qinggang Investment is owned as to 51% by Mr. Zheng Yonggang and 49% by Ms. Zhou Jiqing. By virtue of the SFO, Mr. Zheng Yonggang and Ms. Zhou Jiqing were deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

- (8) Dayuan Tiandi is owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang were deemed to be interested in the shares held by Dayuan Tiandi. As at the Latest Practicable Date, Mr. Zhu Xiaodong was a chief financial officer of Dayuan Tiandi.
- (9) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio as a beneficial owner.
- (10) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by KKC Capital Limited as an investment manager.
- (11) According to the information available on the website of the Stock Exchange, 9,318,000 H Shares were held by Tiger Capital Fund SPC – Tiger Global SP as a beneficial owner and Tiger Capital Fund SPC – Tiger Global SP was directly wholly owned by A Plus Capital Management Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person or corporation which had any interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(c) Directors' and Supervisors' service contracts

As at the Latest Practicable Date, none of the Directors or Supervisors has or is proposed to have any service contract with any member of the Group which is not expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

(d) Directors' or Supervisors' interest in assets, contracts or arrangements

As at the Latest Practicable Date, none of the Directors or Supervisors (i) had any interest, direct or indirect, in any assets which had been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group; or (ii) was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

(e) Directors' interests in competing businesses

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

3. EXPERT'S QUALIFICATION AND CONSENTS

The following is the qualification of the expert who has given its opinions or advices contained in this circular:

Name	Qualification
Octal Capital Limited	a licensed corporation authorised to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Octal Capital Limited:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and logo in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any interest, direct or indirect, in any assets which had been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Fung Che Wai Anthony (Chairman), Mr. Hong Leung and Mr. Liu Shengwen. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Company, to oversee the audit process, to develop and review the Company's policies and to perform other duties and responsibilities as assigned by the Board.

Mr. Fung Che Wai Anthony (馮志偉)

Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司), now known as Zall Group Ltd. (卓爾集團股份有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was responsible for the overall financial operation, company secretarial matters and investor relations. From September 2014 to March 2017, Mr. Fung was an independent supervisor of Chery HuiYin Motor Finance Service Co., Ltd. (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was responsible for monitoring the company's operations as a member of the board of supervisors. From May 2017, Mr. Fung served as the chief financial officer of Beijing Enterprises City Resources Group Co., Ltd. (北控城市資源集團有限公司) (stock code: 3718), the holding company of a group engaged in harmless disposal of hazardous waste and treatment of solid waste. From June 2017, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司) (stock code: 1695), the holding company of a group engaged in food production and trading and whose shares are listed on the Main Board of the Stock Exchange.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in October 2001 and September 2005, respectively. Mr. Fung obtained his bachelor's degree in accountancy from Hong Kong Polytechnic University in October 1992.

Mr. Hon Leung (韓亮)

Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and he was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015 to June 2018, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Main Board of the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of the company. Mr. Hon qualified as a certified public accountant by the HKICPA in November 2012. Mr. Hon obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文)

Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. From November 2014 to July 2018, Mr. Liu was the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since July 2018, Mr. Liu has become a member of Da Hua Certified Public Accountants (大華會計師事務所) Shenzhen Branch. Since September 2015, Mr. Liu has been an independent director of Shenzhen Techand Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code: 300197). Mr. Liu qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000, respectively. Mr. Liu obtained a master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

6. MISCELLANEOUS

- (a) The registered office of the Company is at Room 201, Block A, No.1 Qianwan First Road, Qianhai, Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, PRC and the principal place of business of the Company in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (b) The Company's Hong Kong H Share registrar and transfer office is Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong.
- (c) The joint company secretaries of the Company is Ms. Ng Wing Shan and Ms. Wang Ying. Ms. Ng Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries in Hong Kong and The Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (d) The compliance officer of the Company is Mr. Li Peng ("Mr. Li"). Mr. Li obtained his bachelor's degree in Law from Peking University in the PRC and has extensive legal knowledge. For biographical details of Mr. Li, please refer to page 15 of the annual report of the Company for the year ended 31 December 2019 published by the Company on 30 March 2020.
- (e) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the Asset Transfer Agreement;
- (c) the Factoring Agreements;
- (d) the Lease Agreement;

- (e) the annual reports of the Company for the years ended 31 December 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (f) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (h) the written consents from the Independent Financial Adviser referred to in the paragraph headed “Expert’s Qualification and Consents” in this appendix; and
- (i) this circular.

NOTICE OF EGM

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8452)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of FY Financial (Shenzhen) Co., Ltd. (the "**Company**") will be held at Room 2903A, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Wednesday, 14 October 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

- (a) the asset transfer agreement dated 17 August 2020 (the "**Asset Transfer Agreement**") between the Company and Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司) (the "**Lessee**") regarding the sale of a total of 1,513 units of equipment for property development project including but not limited to fans, air-conditioners, ventilation equipment, elevators, power supply equipment and water-pump equipment as referred to in the Asset Transfer Agreement (the "**Lease Assets**"), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the lease agreement dated 17 August 2020 (the "**Lease Agreement**") entered into between the Company as lessor and the Lessee as lessee in relation to the lease of the Lease Assets to the Lessee, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (c) the directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Asset Transfer Agreement and the Lease Agreement, and the respective transactions contemplated thereunder."

By order of the Board
FY Financial (Shenzhen) Co., Ltd.
Zhuang Wei
Chairman

Hong Kong, 25 September 2020

NOTICE OF EGM

Notes:

1. For determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Thursday, 24 September 2020 to Wednesday, 14 October 2020, both days inclusive, during which period no share transfers will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents of shares of the Company accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited (the “**H Share Registrar**”), at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H shares of the Company) or the Company’s head office in the People’s Republic of China (the “**PRC**”) at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC (for holders of domestic shares and/or unlisted foreign shares of the Company) for registration not later than 4:30 p.m. on Wednesday, 23 September 2020.

Shareholders whose names appear on the register of members of the Company after the close of business on Wednesday, 23 September 2020 are entitled to attend and vote at the EGM. Dayuan Tiandi and its associates shall abstain from voting on the resolution to be put at the EGM.

2. A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company.
3. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, at the EGM in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
4. The instrument appointing the proxy must be in writing and signed by the appointor or his/her attorney duly authorised in writing, or if the appointer is a legal person, either under a legal person’s seal or signed by its director or an attorney duly authorised in writing.
5. In order to be valid, a form of proxy must be deposited at the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H shares of the Company), or the Company’s head office in the PRC at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC (for holders of domestic shares and/or unlisted foreign shares of the Company) together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. The EGM (or any adjournment thereof) is expected to be concluded in an hour. Shareholders or their proxies attending the EGM (or any adjournment thereof) shall be responsible for their own travelling and accommodation expenses.
7. To safeguard the health and safety of shareholders and to prevent the spreading of coronavirus disease (COVID-19) pandemic, the following measures will be implemented at the EGM:
 - mandatory body temperature check;
 - compliance with the latest epidemic prevention policy requirement of the PRC government and presentation of the corresponding health certificate;
 - mandatory wearing of surgical face masks; and
 - no refreshments for attendees.

The Company reserves the right to deny entry into or require any person to leave the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is having a body temperature of over 37.4 degree Celsius; and/or (iii) has any flu-like symptoms.

For the health and safety of shareholders, the Company would like to encourage its shareholders to appoint the chairman of the EGM as their proxy to vote on the resolution to be put at the EGM, instead of attending the EGM in person.

NOTICE OF EGM

As at the date of this notice, the executive Directors are Mr. Li Peng, Mr. Weng Jianxing and Ms. Wang Ying; the non-executive Directors are Mr. Zhuang Wei, Mr. Qian Cheng and Mr. Sun Luran; and the independent non-executive Directors are Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen.

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice will remain on the GEM's website at www.hkgem.com on the "Latest Company Announcement" pages for 7 days from the date of this posting and it will be also posted on the Company's website at www.fyleasing.com.