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)

ANNOUNCEMENT FOR THE UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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 Main Board of 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

THIRD QUARTERLY RESULTS

The board (the "**Board**") of directors (the "**Directors**") of FY Financial (Shenzhen) Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the nine months ended 30 September 2018 (the "**Reporting Period**") together with the comparative unaudited figures for the corresponding period in 2017. All amounts set out in this announcement are expressed in Renminbi ("**RMB**") unless otherwise indicated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

		Three months ended 30 September		Nine months ended 30 September	
		2018	2017	**2018**	2017
		RMB	*RMB*	***RMB***	*RMB*
	Notes	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Revenue	*4*	**39,069,195**	26,627,362	**102,886,438**	66,498,866
Direct costs		**(13,974,852)**	(4,604,501)	**(30,200,012)**	(16,797,542)
Gross profit		**25,094,343**	22,022,861	**72,686,426**	49,701,324
Other income and gains	*4*	**1,068,460**	400,525	**4,730,902**	1,946,796
Operating expenses		**(3,077,081)**	(2,363,855)	**(9,228,476)**	(6,225,520)
Administrative expenses		**(8,841,831)**	(6,468,408)	**(21,863,231)**	(17,637,725)
Reversal of/(provision for) impairment loss on accounts receivable, net		**956,391**	(220,739)	**(245,654)**	(2,721,921)
Listing expenses		**–**	–	**–**	(9,400,117)
Profit before income tax	*5*	**15,200,282**	13,370,384	**46,079,967**	15,662,837
Income tax expense	*6*	**(3,617,733)**	(3,673,527)	**(11,132,659)**	(5,169,295)
Profit and total comprehensive income for the period attributable to equity owners of the Company		**11,582,549**	9,696,857	**34,947,308**	10,493,542
		RMB cents	*RMB cents*	***RMB cents***	*RMB cents*
Earnings per share:	*7*				
– Basic		**3.2**	2.7	**9.7**	3.4
– Diluted		**3.2**	2.7	**9.7**	3.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "**PRC**") on 7 December 2012 as a sino-foreign equity joint venture enterprise and was converted to a joint stock company with limited liability under the Company Law of the PRC on 10 September 2015. The address of its registered office is Room 201, Block A, No.1, Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, the PRC and the principal place of business is Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC. The Company's overseas-listed foreign shares ("**H Shares**") have been listed on GEM of the Stock Exchange since 23 May 2017 (the "**Listing Date**").

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

As at the date of this announcement, the Company's ultimate parent company is Ningbo Qinggang Investment Co., Ltd (寧波青剛投資有限公司), a company established in the PRC with limited liability.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standard ("**HKAS**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The unaudited consolidated results for the Reporting Period have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2017 as set out in the annual report of the Company dated 22 March 2018, except for the accounting policy changes and new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2018. Details of any changes on accounting policies are set out in note 3.

The unaudited condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Company, unless otherwise indicated.

3. APPLICATION OF HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from contracts with Customers
- HK (IFRIC) – Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014 – 2016 cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014 – 2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3(a) below) and HKFRS 15 Revenue from Contracts with Customers (see note 3(b) below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

(a) HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2017, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the unaudited condensed consolidated financial statements.

HKFRS 9 basically retained the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial asset is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**Amortised Costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value, dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits as of 1 January 2018 as follow:

	RMB
Retained profits	
Retained profits as at 31 December 2017	26,515,969
Increase in expected credit losses ("**ECLs**") in accounts receivable (note 3A(ii) below)	(1,360,756)
Restated retained earnings as at 1 January 2018	25,155,213

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *RMB*	**Carrying amount as at 1 January 2018 under HKFRS 9** *RMB*
Accounts receivable	Loans and receivables	Amortised costs	1,263,297,574	1,261,936,818
Other receivables	Loans and receivables	Amortised costs	1,098,047	1,098,047
Cash and cash equivalents	Loans and receivables	Amortised costs	35,007,495	35,007,495

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has measured loss allowances for finance lease receivables and trade receivables based on lifetime ECLs. For factoring receivables, the Group measures the loss allowance equal to 12-month ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 180 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Impact of the ECL model

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follows:

	RMB
Loss allowance as at 1 January 2018 under HKAS 39	19,222,110
Additional impairment recognised for accounts receivable	1,360,756
Loss allowance as at 1 January 2018 under HKFRS 9	20,582,866

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**")

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(b) HKFRS 15 Revenue from Contracts with Customers (HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 established a five-step model to account for the revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition as the Group's finance lease income and factoring income are not within the scope of HKFRS 15. Details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the advisory services income, commission income and revenue from sales of goods provided by the Group are set out below:

(i) Revenue for the provision of advisory services and commission income is recognised at point in time when the services have been rendered. Invoices for these service income are issue on completion of services. HKFRS 15 did not result in significant impact on the Group's accounting policies.

(ii) For revenue from sales of goods and provision of maintenance services provided by the Group, the Group entered one contract with the customer and performed two performance obligations. After the adoption of HKFRS 15, the total transaction price receivable from customers is allocated among all identified performance obligations of the Group in proportion to their respective standalone selling price. The Group determined that revenue from sales of goods is recognised at point in time when the goods are delivered to and have been accepted. For the performance obligation related to the maintenance services, revenue will be recognised over time as those services are provided. HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the Reporting Period.

The Group adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulated effective of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of the revenue from the Group's principal activities (note 1) and other income and gains is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	RMB	*RMB*	***RMB***	*RMB*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Revenue				
Finance lease income	**20,458,434**	19,012,016	**62,339,448**	48,726,970
Factoring income	**5,670,448**	1,732,430	**14,388,669**	4,181,056
Commission income	**1,542,982**	–	**6,642,904**	1,009,792
Advisory service fee income	**4,946,534**	5,953,725	**13,155,005**	12,670,837
Sales of goods	**6,724,050**	–	**6,724,050**	–
Business tax and surcharge	**(273,253)**	(70,809)	**(363,638)**	(89,789)
	39,069,195	26,627,362	**102,886,438**	66,498,866
Other income and gains				
Bank interest income	**32,296**	53,453	**91,310**	66,222
Government grant *(note a)*	**29,818**	–	**2,829,818**	–
Interest income from available-for-sale financial assets	**–**	–	**–**	519,231
Interest income from short-term investments	**–**	7,120	**–**	382,627
Recharge of insurance premium *(note b)*	**302,055**	326,106	**729,204**	867,959
Others	**704,291**	13,846	**1,080,570**	110,757
	1,068,460	400,525	**4,730,902**	1,946,796

Notes:

(a) The Company obtained and recognised a local government grant of RMB2.80 million (nine months ended 30 September 2017: nil) from the PRC government during the Reporting Period. The listing of H Shares on GEM represented that the H Shares have been listed on the board of an overseas capital market, thus fulfilling relevant granting criteria and such government grant were immediately recognised as other income during the Reporting Period.

(b) The amount mainly represented the mark-up on recharge of insurance premium for the lease assets paid by the Group on behalf and recharged to its finance lease customers.

5. PROFIT BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	RMB	*RMB*	***RMB***	*RMB*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Profit before income tax is arrived at after charging:				
Costs of borrowings included in direct costs:	**8,272,157**	4,604,501	**24,497,317**	16,797,542
– Interest expenses on interest-bearing bank and other borrowings**	**7,122,654**	3,537,242	**23,038,208**	15,730,283
– Bank charges and other expenses	**16,328**	571,480	**48,984**	571,480
– Interest charge on amount due to an intermediate holding company**	**1,133,175**	495,779	**1,410,125**	495,779
Cost of inventories sold	**5,702,695**	–	**5,702,695**	–
Depreciation of plant and equipment*	**68,234**	67,036	**213,947**	198,980
Operating lease rentals in respect of land and buildings	**416,598**	340,982	**1,165,470**	1,007,843
Loss on disposal of plant and equipment	**–**	4,929	**800**	5,651
Exchange (gain)/loss	**(8,079)**	51,426	**43,058**	836,896
Staff costs (including directors' emoluments) comprise:	**6,472,237**	4,709,103	**18,134,865**	13,458,130
– Salaries, allowances and benefits in kind	**5,260,416**	3,653,807	**14,823,344**	10,549,664
– Discretionary bonuses	**67,903**	295,515	**185,621**	685,193
– Contributions to defined contribution retirement plan	**1,143,918**	759,781	**3,125,900**	2,223,273

* Depreciation charges are recognised in the condensed consolidated statement of comprehensive income as administrative expenses for the three months and nine months ended 30 September 2018 and 2017, respectively.

** These items represent the finance costs of the Group.

6. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	RMB	*RMB*	***RMB***	*RMB*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Income tax				
– Current period	**3,523,462**	3,786,707	**11,686,924**	5,361,423
– Over-provision in prior years	**–**	–	**–**	(25,675)
Deferred tax				
– Charged/(credited) for the period	**94,271**	(113,180)	**(554,265)**	(166,453)
Income tax expense	**3,617,733**	3,673,527	**11,132,659**	5,169,295

The Company and its subsidiaries were established in the PRC which are subject to the enterprise income tax in the PRC.

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC in the periods.

7. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the period are calculated based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	RMB	*RMB*	***RMB***	*RMB*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Profit attributable to equity owners of the Company	**11,582,549**	9,696,857	**34,947,308**	10,493,542

	Numbers of shares			
	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**359,340,000**	359,340,000	**359,340,000**	312,610,037

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the three months and nine months ended 30 September 2018 and 2017, and hence the diluted earnings per share are the same as basic earnings per share.

8. DIVIDENDS

During the Reporting Period, a final dividend of RMB0.02 per share in respect of the year ended 31 December 2017 (nine months ended 30 September 2017: a final dividend of nil per share in respect of the year ended 31 December 2016) was approved at the annual general meeting held on 15 May 2018, where a total amount of RMB7,186,800 (nine months ended 30 September 2017: nil) was declared and paid to the shareholders of the Company. The Directors do not recommend the payment of a dividend in respect of the Reporting Period (nine months ended 30 September 2017: nil).

9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Equity attributable to owners of the Company					
	Share capital *RMB*	**Merger reserve** *RMB*	**Capital reserve** *RMB*	**Statutory reserve** *RMB*	**Retained profits** *RMB*	**Total equity** *RMB*
At 1 January 2017 (audited)	269,500,000	1,582,035	26,667,317	2,578,936	8,956,450	309,284,738
Profit and total comprehensive income for the period	–	–	–	–	10,493,542	10,493,542
Transactions with owners:						
Issuance of H Shares	89,840,000	–	13,951,150	–	–	103,791,150
Share issue expenses	–	–	(9,521,628)	–	–	(9,521,628)
	89,840,000	–	4,429,522	–	–	94,269,522
At 30 September 2017 (unaudited)	359,340,000	1,582,035	31,096,839	2,578,936	19,449,992	414,047,802
At 31 December 2017 as originally presented	359,340,000	1,582,035	31,096,839	5,708,426	26,515,969	424,243,269
Initial application of HKFRS 9 *(Note 3)*	–	–	–	–	(1,360,756)	(1,360,756)
Restated at 1 January 2018	359,340,000	1,582,035	31,096,839	5,708,426	25,155,213	422,882,513
Profit and total comprehensive income for the period	–	–	–	–	34,947,308	34,947,308
Transactions with owners:						
2017 final dividend paid	–	–	–	–	(7,186,800)	(7,186,800)
At 30 September 2018 (unaudited)	359,340,000	1,582,035	31,096,839	5,708,426	52,915,721	450,643,021

* All percentages calculated in this announcement are calculated by increasing the number to the nearest million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group continued to engage in financial leasing, provision of factoring, advisory services and the supply of medical equipment in the PRC.

During the Reporting Period, the Group continued to improve its risk management and risk investigation capabilities, while enhancing its inspection on the credit reputation of customers and the quality of collateral. Meanwhile, the Group continuously put efforts on employee training, employee motivation and team building, so as to strengthen its human resource management and support its business development. To ensure its asset operation safety, the Group continued to enhance its customer base by carrying out business with customers from the electronic products, fast-moving consumer goods, healthcare and alternative energy industries. Many of the Group's existing customers are satisfied with its services and have maintained cooperation with the Group where a stable income stream is guaranteed. During the Reporting Period, the Group's financial leasing and factoring business continued to grow. During the same period, the Group expanded its micro financial leasing business and enlarged its risk control team, in preparation for the further development of its micro financial leasing business. In view of the cash flow generated from the Group's expanding business volume, the Board is optimistic about the Group's future development under the recent economic conditions.

FINANCIAL REVIEW

Overall performance

During the Reporting Period, the Group maintained a significant growth in its revenue and recorded a revenue of approximately RMB102.89 million, representing an increase of approximately 54.72% from approximately RMB66.50 million for the same period of last year. The revenue growth was mainly due to the expansion of the Group's business. During the Reporting Period, the Group recorded a profit of approximately RMB34.95 million, representing an increase of approximately 233.17% from approximately RMB10.49 million for the same period of last year. The increase was mainly attributable to not only the significant increase in finance lease business and factoring business, but also to the commission income generated from the diversification of service as part of the Group's revenue.

Direct costs

The Group's main cost items were interest expenses on bank borrowing. During the Reporting Period, the Group's direct costs amounted to approximately RMB30.20 million, representing an increase of approximately 79.76% from approximately RMB16.80 million for the same period of last year, which was mainly due to the increase in interest- bearing bank borrowings.

Other income and gains

During the Reporting Period, the Group's other income and gains amounted to approximately RMB4.73 million, representing a significant increase of approximately 142.56% from approximately RMB1.95 million for the same period of last year. The increase was primarily attributable to government grant of RMB2.80 million obtained in relation to the listing of H Shares on GEM.

Operating expenses

During the Reporting Period, the Group's operating expenses amounted to approximately RMB9.23 million, representing an increase of approximately 48.15% from approximately RMB6.23 million for the same period of last year, which was mainly due to the increase in its total number of sales personnel as a result of its market expansion.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB21.86 million, representing an increase of approximately 23.92% from approximately RMB17.64 million for the same period of last year. The increase was mainly due to the increase in salaries and benefits as a result of the increase in the total number of administrative staff of the Group.

Provision for impairment loss on accounts receivable

During the Reporting Period, the Group's provision for impairment loss on accounts receivable was approximately RMB0.25 million, representing a decrease of approximately 91.48% from approximately RMB2.72 million for the same period of last year, which was mainly due to the enhanced effectiveness and maturity of the Group's risk management system.

Income tax expense

During the Reporting Period, the Group's income tax expense was approximately RMB11.13 million, representing a significant increase of approximately 115.28% from approximately RMB5.17 million for the same period of last year, which was mainly due to the increase in revenue and the increase in profit before income tax.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Group is committed to achieving high standards of corporate governance and a high level of transparency to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and enhance its corporate value by observing the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules. During the Reporting Period, the Group had complied with all the code provisions as set out in the CG Code.

Audit Committee

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Fung Che Wai Anthony (the chairman of the audit committee), Mr. Hon Leung and Mr. Liu Shengwen. The audit committee, together with the management of the Company, has reviewed the accounting principles and policies adopted by the Group and unaudited condensed consolidated quarterly financial statements for the Reporting Period, together with the quarterly report.

Required Standard of Dealings

The Company has adopted a code of conduct for securities transactions by Directors and supervisors of the Company (the "**Supervisors**") (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all Directors and Supervisors, and all Directors and Supervisors have confirmed that they had complied with the Code of Conduct throughout the Reporting Period.

DIVIDEND

The Board did not recommend any dividend for the Reporting Period (nine months ended 30 September 2017: nil).

COMPETING INTERESTS

The Directors have confirmed that, as at 30 September 2018, none of the Directors, controlling Shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business (other than the Group) which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this announcement.

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Dongxing Securities (Hong Kong) Company Limited ("**Dongxing Securities**") as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. As advised by Dongxing Securities, as at the date of this announcement, save for the compliance adviser agreement entered into between the Company and Dongxing Securities dated 14 September 2016, Dongxing Securities or its directors, employees or close associates did not own any interest in the share capital of the Company or any member of the Group which had to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

PUBLICATION OF INFORMATION

This announcement has been published on the website of the Company (www.fyleasing.com) and the website of the Stock Exchange (www.hkexnews.hk). The unaudited third quarterly report of the Company for the Reporting Period will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 7 November 2018

As at the date of this announcement, the Board comprises:

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

Non-executive Directors:
Mr. Zhuang Wei (莊巍)
Mr. Qian Cheng (錢程)
Mr. Sun Luran (孫路然)

Independent non-executive Directors:
Mr. Fung Che Wai Anthony (馮志偉)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

This announcement, for which all 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.fyleasing.com.