
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 and the reply slip, 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 TRANSACTION**GENERAL MANDATE IN RELATION TO
THE FUTURE SUBSCRIPTIONS OF FINANCIAL PRODUCT
AND
NOTICE OF EGM**

A notice convening the EGM to be held at Room 2903A, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Tuesday, 17 July 2018 at 10:30 a.m. is set out on pages 30 to 33 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 on the form and return it to the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event 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 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.

If you intend to attend the EGM or any adjournment thereof in person or by proxy, you are required to complete and return the enclosed reply slip to Tricor Investor Services Limited, the H Share Registrar on or before Wednesday, 27 June 2018.

28 May 2018

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, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“ Articles of Association ”	the articles of association of the Company (as amended from time to time)
“ Board ” or “ Board of Directors ”	the board of directors of the Company
“ 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 GEM
“ Controlling Shareholders ”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this circular, means Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou, all defined as below
“ Director(s) ”	the director(s) of the Company
“ EGM ”	the extraordinary general meeting of the Company to be held at 10:30 a.m. on Tuesday, 17 July 2018 and to consider and, if thought fit, to approve, among others, the Product C Future Subscription(s) and the grant of the Product C Subscription Mandate
“ Financial Product A ”	“Micro-Yuebao (小微餘額寶)” launched by Guangdong Huaxing Bank Co., Ltd. (廣東華興銀行)
“ Financial Product B ”	“Ben Li Feng — Every Day Return” (本利豐天天利) launched by Agricultural Bank of China Limited (中國農業銀行股份有限公司)
“ Financial Product C ”	short term financial product traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange with treasury bonds as collateral, details of which are set out in this circular
“ Financial Product D ”	a type of interest rate linked structured product namely “CNYS18” launched by China Minsheng Bank Co., Ltd. (中國民生銀行股份有限公司)
“ 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
“ H Share Registrar ”	Tricor Investor Services Limited

DEFINITIONS

“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 subscribed for and traded in Hong Kong dollars and are listed on GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties 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
“Listing”	the listing of H Shares on GEM
“Latest Practicable Date”	23 May 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM
“PRC” or “China” or the “People’s Republic of China”	the People’s Republic of China, and for the purposes of this circular, excluding Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan region
“Product C Future Redemption(s)”	automatic redemption(s) of the Financial Product C upon the respective maturity dates from time to time
“Product C Future Subscription(s)”	subscription(s) of the Financial Product C by the Company from time to time on one or more occasions
“Product C Subscription Mandate”	the specific mandate to be granted by the Shareholders to the Directors to effect subscription on one or more occasions from time to time to the extent that the maximum daily balance of the principal amount of the Financial Product C at any time during the mandate period shall not exceed RMB102,480,000 (equivalent to approximately HK\$126,534,140), details of which are set out in this circular
“Prospectus”	the prospectus of the Company dated 10 May 2017 relating to the offer of 89,840,000 H Shares
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supervisors”	the supervisor(s) of the Company

For the purpose of this circular, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of RMB0.8099 equal to HK\$1. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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.

LETTER FROM THE BOARD

FY FINANCIAL (SHENZHEN) CO., LTD.

(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)

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)

Registered office and head office in the PRC:

Room 201, Block A

No.1 Qianwan First Road

Qianhai Shenzhen-Hong Kong Cooperation Zone

Shenzhen, Guangdong

PRC

Principal place of business in Hong Kong:

18/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

28 May 2018

To the Shareholders,

Dear Sir/Madam,

MAJOR TRANSACTION

GENERAL MANDATE IN RELATION TO THE FUTURE SUBSCRIPTIONS OF FINANCIAL PRODUCT AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company published on 9 March 2018 in relation to the Product C Future Subscription(s) and the Product C Subscription Mandate.

The purpose of this circular is to give the notice of the EGM and to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the relevant resolution at the EGM.

LETTER FROM THE BOARD

PRODUCT C SUBSCRIPTION MANDATE

As at the Latest Practicable Date, the Company did not hold any of the Financial Product C. Depending on the availability and amount of idle funds held by the Company and the prevailing market condition, the Company intends to subscribe for the Financial Product C from time to time in the future in order to increase capital efficiency, lower the costs of idle funds and with a view towards the increase of the Group's returns.

The Company intends to seek the Shareholders' approval for the Product C Future Subscription(s) and the Product C Subscription Mandate. The Directors consider that the Company should obtain the approval of the Product C Subscription Mandate from the Shareholders in advance so as to allow flexibility in effecting the Product C Future Subscription(s) expeditiously when market conditions are favourable and subject to the parameters as set out below.

The Product C Future Subscription(s) and the Product C Subscription Mandate shall be conditional upon the approval by the Shareholders at the EGM.

The Product C Subscription Mandate to be sought from the Shareholders will be on the following terms.

Mandate period:

The Product C Subscription Mandate to be sought from the Shareholders shall be valid for a period of twelve (12) months from the date on which the Product C Subscription Mandate is approved by the Shareholders.

Maximum daily balance of the principal amount of the Financial Product C:

The Product C Subscription Mandate authorises and empowers the Board to subscribe for the Financial Product C on one or more occasions to the extent that the maximum daily balance of the principal amount of the Financial Product C at any time during the above mandate period shall not exceed RMB102,480,000 (equivalent to approximately HK\$126,534,140), which was determined based on 120% of the historical maximum daily balance of the principal amount of the Financial Product C held by the Company during 2017.

Parameters to consider prior to the effect of the Product C Future Subscription(s):

The Product C Future Subscription(s) will be conducted through on-market transactions from the Shanghai Stock Exchange or the Shenzhen Stock Exchange where the relevant Financial Product C are listed.

LETTER FROM THE BOARD

In deciding whether or not to effect the Product C Future Subscription(s) and the constitution of the product portfolio under the Product C Subscription Mandate, the Directors will take into account, among others, (i) the amount of idle funds at hand; (ii) the period that such amount of idle funds would be available; (iii) the prevailing market conditions; (iv) the prevailing rate of return of the different securities products under the Financial Product C and other available financial products with similar investment periods as that of the Financial Product C; and (v) the overall investment return that could be generated by different types of product portfolios during the same specific investment period. Such decision by the Directors will be subject to the following conditions:

- (i) the investment period of the Product C Future Subscription(s) will accommodate to the short-term available idle funds, i.e. idle funds generally being available for seven days or less, and be subject to the prerequisite that all funding requirements from the Company's normal and ordinary business operations have been fulfilled;
- (ii) the Product C Future Subscription(s) will only be conducted with the product portfolio that could generate the highest overall investment return during the same specific investment period under the Product C Subscription Mandate, and only when such overall investment return is higher than those generated from the other available financial products with similar investment periods as that of the Financial Product C, such as the Financial Product A and the Financial Product B;
- (iii) the Product C Future Subscription(s) will be conducted on normal commercial terms and will be fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (iv) the consideration for the Product C Future Subscription(s) pursuant to the Product C Subscription Mandate will be funded by the idle fund of the Group and will be settled in cash; and
- (v) the Product C Future Subscription(s) will only be conducted when the annualised rate of return of the Financial Product C is higher than the bank deposit interest rate in the PRC at the relevant time.

LETTER FROM THE BOARD

Although the Company used to invest in the Financial Product D, the Company will not take into account the returns from the Financial Product D in deciding whether or not to effect the Product C Future Subscription(s) and the constitution of the product portfolio under the Product C Subscription Mandate considering that the Product C Future Subscription(s) will only be utilised to accommodate the short-term available idle funds, i.e. idle funds generally being available for seven days or less, while the investment period of the Financial Product D lasts for one year commencing from the subscription date.

Redemption:

All the principal amounts of the Financial Product C shall be redeemed automatically at their respective maturity dates.

Scope of authority:

The Board is authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Product C Future Subscription(s), including but not limited to (i) the number of batches of subscriptions; (ii) the total principal amount to be subscribed for in each subscription (subject to parameters set out in the paragraph above); and (iii) the timing of each subscription.

Investment periods:

The investment periods of the Financial Product C range from one (1) to seven (7) days.

Investment portfolio:

The Financial Product C consists of 10 types of securities products with treasury bonds as the underlying securities listed and traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Details of such securities products are set out as follows.

Securities short name	Issuer	Relevant stock exchange where such securities are listed and traded	Securities code	Investment period
GC001	Shanghai Stock Exchange	Shanghai Stock Exchange	204001	One day
GC002	Shanghai Stock Exchange	Shanghai Stock Exchange	204002	Two days
GC003	Shanghai Stock Exchange	Shanghai Stock Exchange	204003	Three days

LETTER FROM THE BOARD

Securities short name	Issuer	Relevant stock exchange where such securities are listed and traded	Securities code	Investment period
GC004	Shanghai Stock Exchange	Shanghai Stock Exchange	204004	Four days
GC007	Shanghai Stock Exchange	Shanghai Stock Exchange	204007	Seven days
R-001	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131810	One day
R-002	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131811	Two days
R-003	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131800	Three days
R-004	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131809	Four days
R-007	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131801	Seven days

The underlying transaction arrangement:

Transaction of the Financial Product C involves a pledge of treasury bonds in exchange of funds with a commitment by the party which is in need of funds (such as banks, securities companies, trust companies) to buy back the treasury bonds at an agreed price, which is equivalent to the principal amount of the funds and the pre-determined amount of interest calculated based on the prevailing market interest rate, on a specified maturity date. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, none of the connected persons or associates of the Company were any of such parties in need of funds. The Company will ensure that for any Product C Future Subscription(s) they make, the parties in need of funds in the underlying collateral arrangement with the relevant stock exchange are Independent Third Parties.

LETTER FROM THE BOARD

Collateral: Treasury bonds of the party which is in need of funds is pledged as the collateral to China Securities Depository and Clearing Corporation (“CSDCC”), a company jointly owned by the Shanghai Stock Exchange and the Shenzhen Stock Exchange which serves as the collateral agent and clearing and settlement agent of such securities product.

Risk-return profile: As the treasury bonds is pledged as part of the transaction of the Financial Product C, the Financial Product C is a secured investment product with guaranteed principal amount and guaranteed return.

Risk exposure: Risks in relation to the Financial Product C generally include (i) the market risks; (ii) the interest rate risks; and (iii) the performance risks.

Market risks generally refer to the risks from the macroeconomic environment where changes in macroeconomic indexes such as the interest rate and the foreign exchange rate may have impact on the fluctuation of the rate of return of the Financial Product C where the overall investment return from the subscriptions of the Financial Product C during specific periods may be affected. The Directors are of the view that the Company’s exposure to such market risks will be very minimal considering that the Product C Future Subscription(s) will only be conducted when the annualised rate of return of the Financial Product C is higher than the bank deposit interest rate in the PRC at the relevant time.

Interest rate risks generally refer to the risks from the fluctuation of the interest rate which may have impact on the fluctuation of the rate of return of the Financial Product C where the overall investment return from the subscriptions of the Financial Product C during specific periods may be affected. The Directors are of the view that the Company is not exposed to any interest rate risks as the rate of return is fixed at the time when the Company subscribes for the Financial Product C. Accordingly, any changes in the interest rate during the relevant investment period will have no impact on the total investment return that the Company is entitled to from such subscription of the Financial Product C.

LETTER FROM THE BOARD

Performance risks generally refer to the risks from any default by the party in need of funds in the collateral arrangement with CSDCC in relation to the Product C Future Subscription(s). The Directors are of the view that the Company is not exposed to any performance risks from its Product C Future Subscription(s) as the Shanghai Stock Exchange and the Shenzhen Stock Exchange, through CSDCC, act as the transaction counterparty when the Company subscribes for the Financial Product C. In the case of any default by the party in need of funds in the collateral arrangement with CSDCC, the Company's entitlement to both the principal amounts and the investment return from the Product C Future Subscription(s) will not be affected as such principal amounts and investment return will be directly paid by the Shanghai Stock Exchange and the Shenzhen Stock Exchange to the Company through CSDCC which will have the right of recourse towards the default party who has pledged relevant treasury bonds as the collateral with them in the collateral arrangement with CSDCC. Since the first subscription of the Financial Product C by the Company, both the Shanghai Stock Exchange and the Shenzhen Stock Exchange, as the issuers of the Financial Product C, have never defaulted in their payment of both the principal amounts and the investment return of the Financial Product C to the Company, and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, they are not aware of any default by the party in need of funds in the collateral arrangement with CSDCC.

The market risks, the interest rate risks and the performance risks are all systematic risks which are un-diversifiable uncertainty inherent to the Product C Future Subscription(s) and are known by the Company prior to the Product C Future Subscription(s). As such, and in light of the reasoning above where the Directors conclude that the Company is not exposed to or is only exposed to very minimal market risks, interest rate risks and performance risks, the Directors are of the view that it is not necessary to conduct risk assessment on the Financial Product C prior to the Product C Future Subscription(s).

Expenses and charges:

Depending on the length of investment period of the Financial Product C subscribed, an amount equivalent to certain percentage, ranging from 0.001% to 0.005%, of the total principal amount of the Financial Product C subscribed for by the Company is charged as the commission.

LETTER FROM THE BOARD

Investment return:

The investment return from each type of securities products under the Financial Product C shall be calculated based on the following formula:

$$\text{Investment return} = a \times b \times \frac{c}{365}$$

a = the principal amounts of the relevant securities product subscribed for by the Company under the Product C Subscription Mandate

b = the annualised rate of return of the relevant securities product at the relevant time

c = actual days of investment of the relevant securities product

Historical annualised rate of return:

During the period from 1 January 2017 to 28 February 2018, the annualised rate of return of the Financial Product C varied in the range between approximately 0.001% and approximately 17.70%. The average annualised rate of return of the Financial Product C amounted to 3.48% during the same period. Such rates are available from the websites of the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Although the annualised rate of return varied significantly during the above period, the Directors consider that the Product C Future Subscription(s) under the Product C Subscription Mandate would be in the best interest of the Company and the Shareholders as a whole as (i) the highest and lowest annualised rates of return only occurred at limited time (each of the highest and lowest annualised rates of return occurred only for one day during the above period) and for most of the time during the above period the rates did not deviate much from the average level; and (ii) the flexibility in subscription(s) of the Financial Product C in terms of its various short term investment periods which accommodates well to the Company's idle funds available from time to time where the Company would be able to generate more returns from investing such idle funds in the Financial Product C than that from depositing the same with the commercial banks in the PRC.

LETTER FROM THE BOARD

Set out below are the historical highest, lowest and average annualised rate of return of each type of securities products under the Financial Product C during the period from 1 January 2017 to 28 February 2018.

Securities short name	Issuer	Relevant stock exchange where such securities are listed and traded	Securities code	Historical annualised rate of return during the period from 1 January 2017 to 28 February 2018		
				Highest	Lowest	Average
GC001	Shanghai Stock Exchange	Shanghai Stock Exchange	204001	17.6950%	0.7000%	3.9982%
GC002	Shanghai Stock Exchange	Shanghai Stock Exchange	204002	16.3100%	0.5350%	3.8399%
GC003	Shanghai Stock Exchange	Shanghai Stock Exchange	204003	16.2000%	0.1450%	3.7971%
GC004	Shanghai Stock Exchange	Shanghai Stock Exchange	204004	16.1550%	0.5100%	3.8268%
GC007	Shanghai Stock Exchange	Shanghai Stock Exchange	204007	14.6500%	0.6650%	3.9686%
R-001	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131810	15.0000%	0.0020%	3.0936%
R-002	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131811	11.6500%	0.0020%	2.8918%
R-003	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131800	13.3000%	0.0010%	2.7593%
R-004	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131809	11.3000%	0.0020%	3.0881%
R-007	Shenzhen Stock Exchange	Shenzhen Stock Exchange	131801	9.3000%	0.0010%	3.5061%

Historical bank deposit rate:

During the period from 1 January 2017 to 28 February 2018, the bank deposit rate was 0.35% per annum, which was available from the website of the People's Bank of China.

LETTER FROM THE BOARD

Expected annualised rate of return:

The expected annualised rate of return of the Financial Product C shall fluctuate based on the prevailing market condition at the relevant time. In any event, the expected annualised rate of return shall not be lower than the bank deposit interest rate in the PRC at the relevant time and the historical annualised rate of return of the Financial Product C, in particular its historical average rate can serve as a reference of the expected performance of the Financial Product C.

Use of proceeds:

The net gain from the Product C Future Redemption(s) will be used as general working capital of the Group.

Internal control:

The effect of the Product C Future Subscription(s) under the Product C Subscription Mandate shall be subject to the following internal control measures and procedures:

- (i) a designated staff of the finance department of the Company shall keep monitoring the cashflow report of the Company and identify the period and amount of idle funds that will be available from time to time. Based on the information collected from such daily monitoring work, the staff may then propose a Financial Product C product portfolio for subscription during a specific investment period, and shall further prepare a detailed information table containing, among others, the period and amount of idle funds that will be available, the annualised rate of return of the securities products listed in the proposed product portfolio, other available securities products under the Finance Product C as well as other available financial products with similar investment periods as that of the Financial Product C at the relevant time, and the bank deposit interest rate at the same relevant time. The staff at the finance department of the Company shall check the latest bank deposit interest rate published on the website of the People's Bank of China at the beginning of each month. As such bank deposit interest rate generally does not vary significantly within a short period of time, the Board considers the above arrangement in benchmarking, checking and updating the bank deposit interest rate be appropriate and reasonable;

LETTER FROM THE BOARD

- (ii) the manager of the finance department shall then review such investment proposal based on comparison of the information listed in the aforesaid table, and decide whether or not such subscription proposal shall be the best investment option for the Company to choose among all the investment options available if the investment is made with the same amount of idle funds and during the same specific investment period;
- (iii) such investment proposal shall then be submitted to the head of the finance department for review and comment for the purpose of complying with the Product C Subscription Mandate where the proposed subscription amount of the Financial Product C under the investment proposal will be aggregated with any outstanding balance amount of the Financial Product C previously subscribed for by the Company to make sure that the daily balance of the principal amount of the Financial Product C shall not exceed the approved limit of the Product C Subscription Mandate; and
- (iv) if all the above approval and review procedures are passed, all the information and comments shall then be consolidated for the final review and approval of the general manager of the Company who will decide whether to effect the Product C Future Subscription(s) under the Product C Subscription Mandate or not.

Prior to the Listing, the Company subscribed for the Financial Product C from time to time. After the Listing, the Company subscribed for the Financial Product C on 10 occasions through on-market transactions from the Shanghai Stock Exchange and the Shenzhen Stock Exchange during 22 May 2017 to 9 June 2017. All the principal amounts of the Financial Product C were automatically redeemed at their respective maturity dates on 10 occasions during 23 May 2017 to 12 June 2017.

LETTER FROM THE BOARD

The table below sets out the dates and the principal amounts of the Financial Product C subscribed for and redeemed by the Company on ten occasions, respectively, during 22 May 2017 to 12 June 2017:

Subscription date	Redemption date	Securities short name	Relevant stock exchange	Principal amount of the Financial Product C subscribed		Investment period (Term to maturity)	Net gain from the redemption (after expenses and charges)		Annualised rate of return at the time of subscription	Bank deposit rate per annum at the time of subscription
				(Equivalent amount of HK\$)	(Equivalent amount of HK\$)		(RMB) (Approximate)	(RMB) (Approximate)		
22 May 2017	23 May 2017	GC001	Shanghai Stock Exchange	73,100,000	83,878,371	1	7,605.40	8,726.79	3.98%	0.35%
23 May 2017	24 May 2017	GC001	Shanghai Stock Exchange	73,100,000	83,878,371	1	6,944.50	7,968.45	3.65%	0.35%
24 May 2017	26 May 2017	R-002	Shenzhen Stock Exchange	73,158,000	83,944,923	2	39,555.43	45,387.76	3.25%	0.35%
26 May 2017	2 June 2017	GC007	Shanghai Stock Exchange	73,100,000	83,878,371	7	31,718.39	36,395.17	3.35%	0.35%
2 June 2017	5 June 2017	GC003	Shanghai Stock Exchange	73,200,000	83,993,115	3	9,069.78	10,407.09	5.07%	0.35%
5 June 2017	6 June 2017	GC001	Shanghai Stock Exchange	61,200,000	70,223,752	1	6,853.56	7,864.10	4.27%	0.35%
6 June 2017	7 June 2017	GC001	Shanghai Stock Exchange	20,000,000	22,948,939	1	1,894.52	2,173.86	3.63%	0.35%
6 June 2017	9 June 2017	GC003	Shanghai Stock Exchange	41,200,000	47,274,814	3	19,756.26	22,669.26	3.61%	0.35%
7 June 2017	9 June 2017	GC002	Shanghai Stock Exchange	20,000,000	22,948,939	2	7,252.05	8,321.34	3.40%	0.35%
9 June 2017	12 June 2017	R-001	Shenzhen Stock Exchange	61,275,000	70,309,811	1	4,343.89	4,984.38	2.77%	0.35%

REASONS FOR AND BENEFITS OF THE PRODUCT C FUTURE SUBSCRIPTION(S) AND THE PRODUCT C SUBSCRIPTION MANDATE

Prior to and after the Listing, the Group invested its idle funds in financial assets with a low-risk profile. The primary purpose of such investments was to increase capital efficiency and lower the costs of idle funds. With a view towards the increase of the Group's returns, the Group intends to continue investing in similar financial assets with a low-risk profile. Pursuant to the Group's investment policy, the Group generally invests in low-risk financial products with an investment horizon of one year or less, and will not invest in high-risk financial products such as equity and debt securities issued by non-listed or non-state owned enterprises.

The Directors consider that since the Financial Product C is principal-protected upon maturity and is of high liquidity nature, the Product C Future Subscription(s) is consistent with the Group's investment policy. The Directors expect that the Product C Future Subscription(s) will not adversely affect the working capital sufficiency of the Group given (i) the investment in the Financial Product C will be funded by the idle funds of the Group; (ii) the Financial Product C can be redeemed within one to seven days; and (iii) the redeemed principal amounts will be used to re-invest in the Financial

LETTER FROM THE BOARD

Product C or other similar financial products. Accordingly, the Directors (including independent non-executive Directors) consider that the Product C Future Subscription(s) and the Product C Subscription Mandate will be made on normal commercial terms and that the terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Company intends to seek the Shareholders' approval for the Product C Subscription Mandate for the Product C Future Subscription(s). The Directors consider that the Company should obtain the approval of the Product C Subscription Mandate from the Shareholders in advance so as to allow flexibility in effecting the Product C Future Subscription(s) expeditiously when market conditions are favourable. The Directors also consider that the limit of the Product C Subscription Mandate which was determined based on the historical maximum daily balance of the principal amount of the Financial Product C held by the Company during 2017 plus a buffer of 20% is fair and reasonable and is in the interest of the Company and the Shareholders as a whole, as the return of the Company's historical investment in the Financial Product C during 2017 were quite stable and met the Company's expectation where the Company intends to increase its subscription in the Financial Product C during the mandate period as the total amount of idle funds available for the Company during the same period is expected to increase by approximately 20% in light of the expansion in its business volume during 2017.

INFORMATION ON THE PARTIES

The Company

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 trading of medical equipment in the PRC.

The Shanghai Stock Exchange and the Shenzhen Stock Exchange

The Shanghai Stock Exchange and the Shenzhen Stock Exchange are the issuers of the Financial Product C. They are non-profit organisations administered by the China Securities Regulatory Commission (中國證券監察委員會) and are principally engaged in providing a business platform for the comprehensive exchange with stocks, bonds, funds and derivative products. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Shanghai Stock Exchange and the Shenzhen Stock Exchange and their respective ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for the Product C Future Subscription(s) and the Product C Subscription Mandate is or are more than 25% but less than 100%, the Product C Future Subscription(s) and the Product C Subscription Mandate constitute major transaction(s) of the Company and are subject to the announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

THE EGM

The EGM will be convened and held for the Shareholders, to consider and, if thought fit, approve the Product C Future Subscription(s) and the grant of the Product C Subscription Mandate and such approval shall be obtained by way of a poll.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Product C Future Subscription(s) and the Product C Subscription Mandate and therefore, no Shareholder is required to abstain from voting for the resolution to approve the Product C Future Subscription(s) and the Product C Subscription Mandate at the EGM.

A notice convening the EGM to be held at Room 2903A, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Tuesday, 17 July 2018 at 10:30 a.m. is set out on pages 30 to 33 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 on the form and return it to the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event 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 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.

If you intend to attend the EGM or any adjournment thereof in person or by proxy, you are required to complete and return the enclosed reply slip to Tricor Investor Services Limited, the H Share Registrar on or before Wednesday, 27 June 2018.

For determining the entitlement to attend and vote at the EGM, the register of members of H Shares of the Company will be closed from Monday, 18 June 2018 to Tuesday, 17 July 2018, both days inclusive, during which period no H Share transfers will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of H Shares must lodge all transfer documents of H Shares accompanied by the relevant H Share certificates at the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 June 2018.

Shareholders whose names appear on the register of members of H Shares of the Company after the close of business on Friday, 15 June 2018 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Board of Directors considers that the resolution to be proposed at the EGM is in the interests of the Company and the Shareholders as a whole, and accordingly the Board of Directors recommends you to vote in favour of the resolution at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position in a comparative table and the latest published audited balance sheet together with the notes on the annual report for the last financial year of the Group.

The audited consolidated financial statements of the Group for each of the financial years ended 31 December, 2015 and 2016, respectively, together with their respective relevant notes thereto can be found in the Prospectus which is available at the Company's website at www.fyleasing.com and the Stock Exchange's website at www.hkgem.com.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2017, together with their respective relevant notes thereto are set out in the 2017 annual report of the Company, which is available at the Company's website at www.fyleasing.com and the Stock Exchange's website at www.hkgem.com.

Each of the said audited consolidated financial statements of the Group for the three financial years ended 31 December 2017 is incorporated by reference to this circular and forms part of this circular.

2. STATEMENT OF INDEBTEDNESS

Borrowings

The borrowings are denominated principally in RMB. As at the close of business on 31 March 2018, 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 approximately RMB727,346,395, details of which are set out below.

	As at 31 March 2018 <i>RMB'000</i>
Banking borrowings	727,346,395
Other borrowings	—
	<u>727,346,395</u>

	As at 31 March 2018 <i>RMB'000</i>
Analysed as:	
Secured	487,346,395
Unsecured	<u>240,000,000</u>
	<u>727,346,395</u>
Analysed as:	
Guaranteed	670,346,395
Unguaranteed	<u>57,000,000</u>
	<u>727,346,395</u>
Carrying amount repayable:	
Within one year	535,280,470
Within one to five year	192,065,925
After five years	<u>—</u>
	<u>727,346,395</u>

Pledge of assets

As at the close of business on 31 March 2018, 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 March 2018 is as follows:

	As at 31 March 2018 <i>RMB'000</i>
Accounts receivables	<u>478,969</u>
	<u>478,969</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 March 2018.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the expected completion of the Product C Future Subscription(s), and in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group including the idle funds, the internally generated funds, present available banking facilities and the proposed facilities supported by letter of intent issued by the underlying banks, the Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

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 trading of medical equipment in the PRC.

Back in 2017, the national economy slowed down and the financial leasing sector faced intensifying competition. For the Group, 2017 was a year of risks and opportunities. During the reporting period, the Group took the initiative to expand its financial leasing business and consolidated the upstream and downstream resources of emerging industries such as health care, alternative energy and transportation to enhance the economic efficiencies of the Company's business by adhering to its established business forms. While ensuring that its risk control measures were properly implemented, we continued to develop our finance leasing business in traditional industries such as the electronics and fast moving consumer goods industries and focused on the emerging industries as our key business direction. Financial leasing and factoring business were expanded and our market share as a non-bank financial service provider was increased. Centered on building a relationship with leading enterprises in the industry (such as the listed companies and large non-listed companies), the Group improved its customer structure and optimized the structure of financial leasing and factoring asset portfolio, which led to safer assets and lower risks.

Looking forward to 2018, the year when the PRC economy would experience a slowdown, the national economy will shift from high growth to high quality development, maintaining a stable and upward momentum. The year 2018 breeds a period of strategic opportunities for the Group, for which, the management of the Group has worked out detailed strategic planning in line with the current development of the Company. In future, the Group will continually develop employee skills, and encourage teamwork to enhance business development capability. It will retain existing customers and establish partnership with leading enterprises in its industry. In doing that, it can improve the Group's customer structure and optimize the structure of finance leasing and factoring assets portfolio, increasing rate of return while securing the underlying assets. Entering the year of 2018, the Group will focus on increasing the market share of finance leasing and factoring while reducing asset risks, and continue to propel development of the Company steadily.

6. EFFECT OF THE PRODUCT C SUBSCRIPTION MANDATE ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Financial Product C is recorded as available-for-sale investments under current assets of the Group. Future subscriptions of the Financial Product C will increase the available-for-sale investments of the Group and will decrease the bank balances and cash of the Group. The investment return of the financial products will be recorded as other comprehensive income of the Group.

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, none of the Directors, Supervisors and the chief executive of the Company had any interest or short position 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 any interest and/or short position 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.

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

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons and companies (other than the Directors, Supervisors or the chief executive of the Company) had or deemed to have any interest or short position in the Shares and underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register 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 (“Shanshan HK”) <small>(2)(3)(4)(5)</small>	Unlisted foreign Shares	Beneficial owner	149,500,000(L)	100%	149,500,000(L)	41.60%

APPENDIX II
GENERAL INFORMATION

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.)
Ningbo Shanshan Co., Ltd. (“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%
Shanshan Group Co., Ltd. (“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. (“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. (“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 Qinggang Investment Co., Ltd. (“Qinggang 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%
Mr. Zheng Yonggang (“Mr. Zheng”) ⁽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%

APPENDIX II
GENERAL INFORMATION

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.)
Ms. Zhou Jiqing (“Ms. Zhou”) ⁽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. (“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%
KKC Capital Limited ⁽¹⁰⁾	H Shares	Investment manager	9,408,000(L)	10.47%	9,408,000(L)	2.62%
Avia Asset Management Limited ⁽¹¹⁾	H Shares	Investment manager	9,408,000(L)	10.47%	9,408,000(L)	2.62%
Mr. Chiu Wai Lap ⁽¹¹⁾	H Shares	Investment manager	9,408,000(L)	10.47%	9,408,000(L)	2.62%
Tiger Capital Fund SPC — Tiger Global SP ⁽¹²⁾	H Shares	Beneficial owner	13,718,000(L)	15.27%	13,718,000(L)	3.82%
A Plus Capital Management Limited ⁽¹²⁾	H Shares	Investment manager	13,718,000(L)	15.27%	13,718,000(L)	3.82%
Full House Asset Management Company Limited ⁽¹³⁾	H Shares	Investment manager	17,118,000(L)	19.05%	17,118,000(L)	4.76%

Notes:

- (1) The letter “L” denotes the person’s long position in 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 is the sole shareholder of Shanshan HK. Shanshan is also indirectly interested in 80% 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 is deemed to be interested in the Shares held by Shanshan Hong Kong and Nantong Shanshan.
- (3) Shanshan Group holds 23.79% of the registered share capital of, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (4) Ningbo Yonggang is interested in 62.96% of the registered 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 is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (5) Shanshan Holding directly holds approximately 16.09% of the registered share capital of Shanshan and indirectly holds approximately 23.79% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in 96.93% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly holds 17.14% and indirectly holds 62.96% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is 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 is 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 and 49% by Ms. Zhou. By virtue of the SFO, Mr. Zheng and Ms. Zhou are deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (8) Dayuan Tianyi 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 are deemed to be interested in the Shares held by 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 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 investment manager.
- (11) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by Avia Asset Management Limited as investment manager and Avia Asset Management Limited was wholly owned by Mr. Chiu Wai Lap.
- (12) According to the information available on the website of the Stock Exchange, 13,718,000 H Shares were held by Tiger Capital Fund SPC — Tiger Global SP as beneficial owner and Tiger Capital Fund SPC — Tiger Global SP was directly wholly owned by A Plus Capital Management Limited.
- (13) According to the information available on the website of the Stock Exchange, 17,118,000 H Shares were held by Full House Asset Management Company Limited as investment manager.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, or any options in respect of such capital.

(c) **Directors' and Supervisors' service contracts**

Each of the Directors and Supervisors entered into a service contract with the Company on 25 April 2017. The principal particulars of these service contracts comprise, among others, a term of three years commencing from the date on which their respective appointments were approved by the Shareholders, subject to termination in accordance with the terms of their respective service contracts. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, 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 (other than contracts 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 or contracts**

As at the Latest Practicable Date, none of the Directors or Supervisors (i) had any direct or indirect interest 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 the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; or (ii) was materially interested in any contract, save for service contracts as disclosed in paragraph (c) above, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(e) **Controlling Shareholders', Directors' or Supervisors' interests in competing businesses**

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Controlling Shareholders, Directors, Supervisors or their respective close associates (as defined in the GEM Listing Rules) had any interest in any business that competed or was likely to compete with the businesses of the Group.

3. COMPLIANCE ADVISER

As advised by the compliance adviser of the Company, Dongxing Securities (Hong Kong) Company Limited (the "**Compliance Adviser**"), as at the Latest Practicable Date, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 14 September 2016, none of the Compliance Adviser or its directors, employees and close associates had any interest in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, nor did they have any interest in any business that competed or was likely to compete with the businesses of the Group.

The Compliance Adviser is a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO).

4. LITIGATION

As at the Latest Practicable Date, the Company was not 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 the Company.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Company were made up.

6. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

- (a) the non-competition agreement dated 8 June 2016 entered into by Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng in favour of our Company and the non-competition agreement dated 26 April 2017 entered into by Ms. Zhou in favour of the Company;
- (b) the deed of indemnity dated 25 April 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries), pursuant to which the Controlling Shareholders (as defined in the Prospectus) agree to provide certain indemnities; and
- (c) the conditional underwriting agreement dated 9 May 2017 relating to the Public Offer (as defined in the Prospectus) entered into by, among others, the Company and the Public Offer Underwriters (as defined in the Prospectus).

7. MISCELLANEOUS

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The joint company secretaries of the Company are Ms. Ng Wing Shan and Ms. Wang Ying. Ms. Ng Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

- (d) The compliance officer of the Company is Mr. Li Peng (“**Mr. Li**”). For the profile and professional qualifications of Mr. Li, please refer to page 16 of the annual report of the Company for the year ended 31 December 2017 published by the Company on 28 March 2018.
- (e) The registered office of the Company is located at the Room 201, Block A, No.1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province, the PRC.
- (f) The principal place of business of the Company in Hong Kong is at 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (g) The H Share Registrar and transfer office of the Company is Tricor Investor Services Limited located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (h) The English version of the circular shall prevail over the Chinese version in the event of inconsistency.
- (i) The Company established an audit committee on 25 April 2017. The terms of reference are in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, being Mr. Fung Che Wai Anthony (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Hon Leung and Mr. Liu Sheng Wen. 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. Biographical information of each member of the audit committee are set out on pages 19 to 20 of the annual report of the Company for the year ended 31 December 2017 published by the Company on 28 March 2018.

8. DOCUMENTS FOR INSPECTION

Copies of the following document will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen’s Road East, Wanchai. Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

- (1) the Articles of Association;
- (2) the annual report of the Company for the year ended 31 December 2017;
- (3) the Prospectus;
- (4) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (5) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 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 “**Meeting**”) 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 Tuesday, 17 July 2018 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (1) the general mandate in relation to the future subscriptions (the “**Future Subscriptions**”) of the Financial Product C (as defined in the circular of the Company dated 28 May 2018 (the “**Circular**”) on one or more occasions to the extent that the maximum daily balance of the principal amount of the Financial Product C at any time during the period of twelve (12) months from the date of passing this resolution (the “**Mandate Period**”) shall not exceed RMB102,480,000 (equivalent to approximately HK\$126,534,140) by the Company (the “**Subscription Mandate**”) from time to time during the Mandate Period on the following conditions:
 - (i) the investment period of the Future Subscription(s) will accommodate to the short-term available idle funds, i.e., idle funds generally being available for seven days or less, and be subject to the prerequisite that all funding requirements from the Company’s normal and ordinary business operations have been fulfilled;
 - (ii) the Future Subscription(s) will only be conducted with the product portfolio that could generate the highest overall investment return during the same specific investment period under the Subscription Mandate, and only when such overall investment return is higher than those generated from the other available financial products with similar investment periods as that of the Financial Product C, such as the Financial Product A and the Financial Product B (both as defined in the Circular);
 - (iii) the Future Subscription(s) will be conducted on normal commercial terms and will be fair and reasonable and in the interests of the Company and the shareholders as a whole;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) the consideration for the Future Subscription(s) pursuant to the Subscription Mandate will be funded by the idle fund of the Group (as defined in the Circular) and will be settled in cash; and
- (v) the Future Subscription(s) will only be conducted when the annualised rate of return of the Financial Product C is higher than the bank deposit interest rate in the PRC at the relevant time.

be and is hereby approved.

- (2) the directors of the Company (the “**Directors**”) be and are hereby authorised for and on behalf of the Company to exercise all the powers of the Company to effect the Subscription Mandate from time to time during the Mandate Period, to determine, decide, execute and implement with full discretion all matters relating to the Future Subscription(s), including but not limited to the number of batches of subscriptions, the total principal amount to be subscribed for in each subscription, and the timing of each subscription, and the Directors be and are hereby authorised to do all such acts and things, including but not limited to the execution of all documents, which the Directors deem necessary, appropriate or desirable, to implement and give effect to the Future Subscription(s) and the transactions contemplated thereunder or in connection with the exercise of the Subscription Mandate.”

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

Shenzhen, the PRC, 28 May 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. For determining the entitlement to attend and vote at the Meeting, the register of members of H Shares (the “H Shares”) of the Company will be closed from Monday, 18 June 2018 to Tuesday, 17 July 2018, both days inclusive, during which period no H Share transfers will be registered. In order to be eligible to attend and vote at the Meeting, unregistered holders of H Shares must lodge all transfer documents of H Shares accompanied by the relevant H Share certificates at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited (the “H Share Registrar”), at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 June 2018.

Shareholders whose names appear on the register of members of H Shares of the Company after the close of business on Friday, 15 June 2018 are entitled to attend and vote at the Meeting.

2. Holders of H Shares who intend to attend the Meeting (or any adjournment thereof) should complete and lodge the accompanying reply slip and return it to the Company’s H Share Registrar not later than 20 days before the date of Meeting, i.e., on or before Wednesday, 27 June 2018. The reply slip may be delivered by hand, by post or by fax. Completion and return of the reply slip do not affect the right of a shareholder to attend and vote at the Meeting.
3. A shareholder entitled to attend and vote at the Meeting 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.
4. 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 Meeting 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 Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of H Shares of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
5. 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.
6. In order to be valid, a form of proxy must be deposited at the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong 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 above Meeting 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 above Meeting 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.
7. The Meeting (or any adjournment thereof) is expected to be concluded within a day. Shareholders or their proxies attending the Meeting (or any adjournment thereof) shall be responsible for their own travelling and accommodation expenses.

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.

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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.