
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

**(1) NEW CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FACTORING AGREEMENT I
(2) REVISION OF ANNUAL CAPS OF EXISTING CONTINUING CONNECTED
TRANSACTIONS UNDER THE FINANCE LEASE AGREEMENTS I
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

 **金融有限公司**
OCTAL Capital Limited

A letter from the Board is set out on pages 5 to 15 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular.

A notice convening the EGM to be held at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Monday, 18 December 2017 at 3:30 p.m. is set out on pages 42 to 44 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 Company's Hong Kong 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.

3 November 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	16
Letter from the Independent Financial Adviser	18
Appendix — General Information	35
Notice of the EGM	42

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 9 October 2017 in relation to the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the GEM
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Dayuan Tiandi”	Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. (北京市大苑天地房地產開發有限公司), a company established in the PRC and a substantial shareholder of the Company
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under the laws of the PRC and are unlisted Shares which are currently not listed or traded on any stock exchange
“Effective Date”	the date on which the Factoring Agreement I shall take effect upon the fulfilment of the condition precedent as set out in the paragraph headed “Condition Precedent” in this circular
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Monday, 18 December 2017 at 3:30 p.m. for the purpose of, among other things, considering and, if deemed appropriate, approving the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps
“Equipment”	has the meaning ascribed to it under the Prospectus

DEFINITIONS

“Existing Annual Caps”	the existing annual caps for the Finance Lease Agreements I, being the finance lease income (exclusive of VAT) payable by Longding Huayuan to the Company under the Finance Lease Agreements I, for each of the three years ending 31 December 2019
“Factoring Agreement I”	the with-recourse commercial factoring agreement dated 9 October 2017 entered into between Fullin Factoring (as factor) and Longding Huayuan (as seller) in respect of the accounts receivable factoring services provided by Fullin Factoring to Longding Huayuan in the factoring principal amount of RMB41,800,000 (equivalent to approximately HK\$49,193,833)
“Finance Lease Agreements I”	the sale and purchase agreement dated 20 December 2015 entered into among the Company as purchaser, Longding Huayuan as end user and an equipment supplier in relation to the sale and purchase of the Equipment and the finance lease agreement dated 20 December 2015 entered into between the Company as lessor and Longding Huayuan as lessee (as supplemented by the supplemental agreements dated 20 December 2015 and 25 May 2016 entered into between the Company and Longding Huayuan) in relation to the lease of the Equipment to Longding Huayuan, details of which are disclosed in the Prospectus
“Fullin Factoring”	杉杉富銀商業保理有限公司 (Shan Shan Fullin Factoring Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange as amended, supplemented or otherwise modified from time to time
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“Group”	the Company and its subsidiaries as at the Latest Practicable Date
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the GEM
“HK\$”	the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the terms of the Factoring Agreement I and the Revised Aggregated Annual Caps
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation authorised to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Factoring Agreement I and the Revised Aggregated Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than Dayuan Tiandi and its associates
“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
“Latest Practicable Date”	31 October 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	the listing of H Shares on GEM
“Longding Huayuan”	Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司), a company established in the PRC and owned as to 90% by Dayuan Tiandi and the remaining 10% by certain Independent Third Parties
“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”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 10 May 2017 relating to the offer of 89,840,000 H Shares

DEFINITIONS

“ Revised Aggregated Annual Caps ”	the aggregate of the revised annual caps for the Finance Lease Agreements I and the annual caps for the Factoring Agreement I for each of the four years ending 31 December 2020
“ RMB ”	Renminbi, the lawful currency of the PRC
“ 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
“ substantial shareholder ”	has the meaning ascribed to it under the GEM Listing Rules
“ Supervisor(s) ”	the supervisor(s) of the Company
“ Shareholder(s) ”	holder(s) of the Share(s)
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ Unlisted Foreign Share(s) ”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi by persons other than PRC natural persons or entities established under the laws of the PRC and are Shares which are currently not listed or traded on any stock exchange
“ VAT ”	value-added tax
“ % ”	per cent.

For the purpose of this circular, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of RMB0.8497 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.
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)

Executive Directors:

Mr. Li Peng (李鵬)

Mr. Weng Jianxing (翁建興)

Non-executive Directors:

Mr. Zhuang Wei (莊巍)

Mr. Qian Cheng (錢程)

Ms. Hui Ying (惠穎)

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:

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

3 November 2017

To the Shareholders

Dear Sir or Madam,

**(1) NEW CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FACTORING AGREEMENT I
(2) REVISION OF ANNUAL CAPS OF EXISTING CONTINUING CONNECTED
TRANSACTIONS UNDER THE FINANCE LEASE AGREEMENTS I
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to (i) the new continuing connected transactions contemplated under the Factoring Agreement I; and (ii) the revision of annual caps of existing continuing connected transactions under the Finance Lease Agreements I.

The purposes of this circular are to provide you with (i) further details of the Factoring Agreement I and the Revised Aggregated Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Factoring Agreement

LETTER FROM THE BOARD

I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps; (iii) a letter of advice from the Independent Financial Adviser in relation to the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps; (iv) the notice convening the EGM; and (v) other information as required under the GEM Listing Rules.

NEW CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FACTORING AGREEMENT I

On 9 October 2017, Fullin Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement I with Longding Huayuan, pursuant to which Fullin Factoring has agreed to provide the accounts receivable factoring services for Longding Huayuan for a term of three years commencing from the Effective Date with a facility in the factoring principal amount of RMB41,800,000 (equivalent to approximately HK\$49,193,833).

The principal terms of the Factoring Agreement I are set out as follows:

Date of agreement:	9 October 2017
Parties:	Fullin Factoring (as factor) Longding Huayuan (as seller)
Type of facility:	One-off and with recourse
Condition precedent:	<p>The Factoring Agreement I is conditional upon the fulfilment of the requirements of the GEM Listing Rules by the Company in respect of the transactions contemplated under the Factoring Agreement I, including obtaining the necessary approval from the Independent Shareholders.</p> <p>If the above condition is not fulfilled by 31 March 2018 (or such other time as Fullin Factoring and Longding Huayuan may agree), the Factoring Agreement I shall be terminated.</p>
Financing term:	Three years commencing from the Effective Date.
Transfer of accounts receivable:	Subject to the terms and conditions of the Factoring Agreement I, the accounts receivable of Longding Huayuan as referred to in the underlying transaction documents entered into between the parties pursuant to the Factoring Agreement I shall be assigned to Fullin Factoring. The accounts receivable to be assigned under the Factoring Agreement I are rental receivables by Longding Huayuan in relation to its properties which are shops and offices located inside a residential area in Beijing under 34 lease agreements with an estimated rental receivable of approximately RMB53.1 million over a period from December 2017 to September 2021.

LETTER FROM THE BOARD

Factoring principal amount: RMB41,800,000 (equivalent to approximately HK\$49,193,833), which was determined after arm's length negotiations between Fullin Factoring and Longding Huayuan with reference to (i) the lending capacity of Fullin Factoring after conducting an internal evaluation on whether the Group will be able to obtain external financing at a cost that matches the transactions contemplated under the Factoring Agreement I; (ii) the funding need of Longding Huayuan after conducting due diligence on its real estate development projects; and (iii) the repayment capability of Longding Huayuan after conducting credit assessment on the relevant debtors and analysis on the financial status of Longding Huayuan before entering into the Factoring Agreement I.

The provision of factoring principal amount to Longding Huayuan under the Factoring Agreement I will be financed by internal resources of the Group.

Payment of factoring principal amount: Subject to the satisfaction of the terms and conditions as set out in the Factoring Agreement I and the fulfilment of condition precedent as set out in the paragraph headed "Condition Precedent" above, Fullin Factoring shall pay the factoring principal amount to Longding Huayuan, which shall represent the accounts receivable being assigned to Fullin Factoring times the factor ratio, in accordance with the terms of such agreement.

Factor ratio: The factor ratio represents the ratio of the maximum factoring principal amount to the accounts receivable being assigned under the Factoring Agreement I. While the factoring principal amount for the Factoring Agreement I is RMB41.8 million and the aggregate amount of the accounts receivable to be assigned under the Factoring Agreement I is approximately RMB53.1 million, the factor ratio of the Factoring Agreement I is approximately 78.72%. Such ratio falls within the range of factor ratios of similar factoring agreements that the Group enters into with its other customers calculated on a similar basis, which ranged from 70% to 90% of the net value of the accounts receivable under the relevant factoring agreements and is determined based on the overall strength and competitiveness of its customers as well as their financial condition, business operation, repayment capability and credit status and is therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Factoring interest:

The factoring interest shall be calculated based on the following formula:

$$A \times B \times \frac{C}{360}$$

A = the outstanding balance of the factoring principal amount

B = the interest rate of 10.5% per annum

C = the actual number of days of the advancement

The factoring interest was determined after arm's length negotiation between Fullin Factoring and Longding Huayuan after taking into account the prevailing market rate of interest for factoring transactions, the risk associated with the factoring activity under the Factoring Agreement I, including but not limited to, the business, the financial condition and the repayment capability of Longding Huayuan.

The factoring interest shall be payable by Longding Huayuan to Fullin Factoring on a monthly basis pursuant to the terms of the Factoring Agreement I.

Management fee:

In consideration of the accounts receivable factoring services provided by Fullin Factoring, Longding Huayuan shall pay an one-off non-refundable management fee to Fullin Factoring in the amount of RMB627,000 (equivalent to approximately HK\$737,907), which was determined with reference to the factoring principal amount provided by Fullin Factoring to Longding Huayuan under the Factoring Agreement I and is payable by Longding Huayuan to Fullin Factoring upon the Effective Date.

Outstanding balance of factoring principal amount, factoring interest and management fee:

The aggregate of the outstanding balance of factoring principal amount, factoring interest and management fee under the Factoring Agreement I are as follows:

For the year ending 31 December	<i>RMB (Approx.)</i>	<i>(Equivalent amount of HK\$) (Approx.)</i>
2017	43,000,000	50,606,096
2018	46,000,000	54,136,754
2019	31,000,000	36,483,465
2020	16,000,000	18,830,175

LETTER FROM THE BOARD

Repayment of the factoring principal amount:

The factoring principal amount is repayable by instalments semi-annually pursuant to the terms and conditions of the Factoring Agreement I and the underlying transaction documents entered into between the parties pursuant to the Factoring Agreement I.

Factoring expenses:

The factoring expenses comprise (i) the factoring interest; (ii) the default interest in respect of the outstanding factoring principal amount due but not repaid; (iii) the default interest in respect of the factoring interest due but not paid; and (iv) other expenses incurred by Fullin Factoring in the course of rendering the accounts receivable factoring services and shall be payable by Longding Huayuan pursuant to the terms of the Factoring Agreement I.

Repurchase:

Fullin Factoring shall be entitled to demand Longding Huayuan to immediately and unconditionally repurchase the outstanding amount of accounts receivable being transferred to Fullin Factoring, repay the outstanding factoring principal amount and pay the factoring expenses in the event that any of the triggering events (including but not limited to the following) occurs:

- (i) Longding Huayuan has commercial dispute with its debtor(s) in respect of the underlying contract(s);
- (ii) Fullin Factoring being unable to receive the timely payment in full of the accounts receivable by the debtor(s) of Longding Huayuan as a result of the credit risk of the debtor(s) of Longding Huayuan;
- (iii) Longding Huayuan waiving or offsetting the payment of the accounts receivable transferred to Fullin Factoring without giving notice to Fullin Factoring;
- (iv) the debtor(s) of Longding Huayuan being merged, divided, reorganised, the assets of the debtor(s) of Longding Huayuan being transferred, the fund of the debtor(s) of Longding Huayuan being misappropriated, the business operation of the debtor(s) of Longding Huayuan being ceased or suspended, etc, which has adverse effect to the repayment of the accounts receivable;
- (v) the debtor(s) of Longding Huayuan being involved or possibly involved in any major economic dispute, litigation, arbitration;

LETTER FROM THE BOARD

- (vi) the debtor(s) of Longding Huayuan selling, leasing, transferring or otherwise disposing of its major assets, or the entire or substantial part of its assets; and
- (vii) such other circumstances which Fullin Factoring deems appropriate for Longding Huayuan to repurchase the outstanding amount of the accounts receivable.

Guarantee:

Each of Dayuan Tiandi and Mr. Gong Liang (貢亮), who holds 45% of equity interest in Dayuan Tiandi and is a director and the legal representative of each of Dayuan Tiandi and Longding Huayuan, respectively entered into a guarantee in favour of Fullin Factoring in respect of all debt payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE FACTORING AGREEMENT I

Fullin Factoring is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. The principal business of Fullin Factoring is the provision of factoring and advisory services to its customers in the PRC.

The entering into of the Factoring Agreement I is in the ordinary and usual course of business of Fullin Factoring and will generate an aggregate income of approximately RMB7,990,000 (equivalent to approximately HK\$9,403,319), being the aggregate of the factoring interest (exclusive of VAT) of approximately RMB7,398,000 (equivalent to approximately HK\$8,706,602) over the term of the Factoring Agreement I and the management fee (exclusive of VAT) of approximately RMB592,000 (equivalent to approximately HK\$696,716).

The terms of the Factoring Agreement I, including the factoring principal amount, the interest rate and the proposed annual caps therefor, were agreed between Fullin Factoring and Longding Huayuan after arm's length negotiations between the parties and are on normal commercial terms.

The Directors have also considered the disadvantages or risks in association with the Factoring Agreement I as follows:

Liquidity risks

The Company faces liquidity risks if it has no immediately available fund to make payment for the factoring principal amount to Longding Huayuan under the Factoring Agreement I which shall be financed by internal resources of the Group. By managing the cashflow of the Group through a monthly operating budget that is monitored and adjusted (if necessary) on a weekly basis, conducting an analysis on whether the Group will be able to obtain external financing at a cost that matches the

LETTER FROM THE BOARD

factoring transactions of the Group and monitoring the financial indicators that are relevant to the assessment of the liquidity risk of the Group, the Group confirms that it has sufficient working capital to support its factoring business and the risk of the Group's exposure to liquidity risks due to the Factoring Agreement I is not significant.

Credit risks

By acquiring the accounts receivable of Longding Huayuan, the Company effectively assumes credit risks originally exposed to Longding Huayuan. In order to manage such credit risks, the Group has conducted due diligence and credit assessment on the relevant debtors of Longding Huayuan before entering into the Factoring Agreement I. Each of Dayuan Tiandi and Mr. Gong Liang (貢亮), who holds 45% of equity interest in Dayuan Tiandi and is a director and the legal representative of each of Dayuan Tiandi and Longding Huayuan, respectively entered into a guarantee in favour of Fullin Factoring in respect of all debt payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I. In addition, Fullin Factoring shall be entitled to demand Longding Huayuan to immediately and unconditionally repurchase the outstanding amount of the accounts receivable being transferred to Fullin Factoring in case if Fullin Factoring is unable to receive the timely payment in full of the accounts receivable by the debtors of Longding Huayuan. Therefore, the risk of the Group's exposure to bad debts under the Factoring Agreement I is not significant.

Balancing the disadvantages or risks in association with the Factoring Agreement I and the benefits brought along thereby, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the view that the terms of the Factoring Agreement I are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

REVISION OF ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCE LEASE AGREEMENTS I

Reference is made to the Prospectus in relation to the provision of the finance lease services by the Company to Longding Huayuan under the Finance Lease Agreements I entered into between both parties prior to the Listing.

As the transactions contemplated under the Finance Lease Agreements I and the Factoring Agreement I are entered into between the Group and Longding Huayuan, these transactions have to be aggregated under Rule 20.79 of the GEM Listing Rules. Accordingly, the Company proposes revising the Existing Annual Caps by taking into account (i) the maximum outstanding balance of the finance lease principal amount and the retention consideration (if applicable) payable by Longding Huayuan to the Company under the Finance Lease Agreements I for each of the three years ending 31 December 2019; and (ii) the maximum outstanding balance of the factoring principal amount, the factoring interest and the management fee payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I for each of the four years ending 31 December 2020.

LETTER FROM THE BOARD

Set out below are the Existing Annual Caps, the revised annual caps for the Finance Lease Agreements I and the annual caps for the Factoring Agreement I:

	For the year ending 31 December			
	2017	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Equivalent amount of HK\$)</i>	<i>(Equivalent amount of HK\$)</i>	<i>(Equivalent amount of HK\$)</i>	<i>(Equivalent amount of HK\$)</i>
	<i>(Approx.)</i>	<i>(Approx.)</i>	<i>(Approx.)</i>	<i>(Approx.)</i>
Existing Annual Caps <i>(Note 1)</i>	RMB326,000 (HK\$383,665)	RMB88,000 (HK\$103,566)	nil	nil
Revised Aggregated Annual Caps				
Finance Lease Agreements I <i>(Note 2)</i>	RMB5,200,000 (HK\$6,119,807)	RMB2,400,000 (HK\$2,824,526)	nil	nil
Factoring Agreement I <i>(Note 3)</i>	RMB43,000,000 (HK\$50,606,096)	RMB46,000,000 (HK\$54,136,754)	RMB31,000,000 (HK\$36,483,465)	RMB16,000,000 (HK\$18,830,175)
Total	<u>RMB48,200,000</u> <u>(HK\$56,725,903)</u>	<u>RMB48,400,000</u> <u>(HK\$56,961,280)</u>	<u>RMB31,000,000</u> <u>(HK\$36,483,465)</u>	<u>RMB16,000,000</u> <u>(HK\$18,830,175)</u>

Notes:

1. The Existing Annual Caps take into account the finance lease income (exclusive of VAT) payable by Longding Huayuan to the Company under the Finance Lease Agreements I for each of the three years ending 31 December 2019. The term of the finance lease arrangements under the Finance Lease Agreements I is 35 months which commenced on 24 December 2015 and will end on 24 November 2018.
2. The revised annual caps for the Finance Lease Agreements I take into account the aggregate of the finance lease income, the maximum outstanding balance of finance lease principal amount and the retention consideration (if applicable) (all exclusive of VAT) payable by Longding Huayuan to the Company under the Finance Lease Agreements I for each of the three years ending 31 December 2019.
3. The annual caps for the Factoring Agreement I take into account the aggregate of the maximum outstanding balance of the factoring principal amount, the factoring interest and the management fee payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I for each of the four years ending 31 December 2020. The term of the factoring arrangements under the Factoring Agreement I is 36 months commencing on the Effective Date.

The Revised Aggregated Annual Caps are determined by aggregating the revised annual caps for the Finance Lease Agreements I and the annual caps for the Factoring Agreement I as stated in Notes 2 and 3 above. For the details of basis of determination of the factoring principal amount, the factoring interest and the management fee payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I, please refer to the paragraphs headed “Factoring principal amount”, “Factoring interest” and “Management fee” under the section headed “New continuing connected transactions in relation to the Factoring Agreement I”, respectively.

LETTER FROM THE BOARD

Based on the foregoing and after considering (i) the principal repayment schedule, the interest calculation and the calculation of the amortized management fee under the Factoring Agreement I; and (ii) the monthly repayment schedule and the interest calculation of the Finance Lease Agreements I, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the Revised Aggregated Annual Caps are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Company has adopted internal control measures with its asset management department, business department, finance department and risk management department collectively responsible for portfolio management of the transactions contemplated under the Finance Lease Agreements I and the Factoring Agreement I to ensure that the terms of such agreements will be complied with and the Revised Aggregated Annual Caps would not be exceeded. The asset management department will send payment reminders to Longding Huayuan on a monthly basis and prepare monthly reports for such payments to senior management, the finance department will monitor the collection of payments and provide feedback to the asset management department and senior management of the Company. Once there is any overdue payment, the asset management department, business department, finance department and risk management department will discuss a solution plan to ensure that the Revised Aggregated Annual Caps would not be exceeded. The Company will also engage its auditors to conduct an annual review and report on its continuing connected transactions every year.

INFORMATION ON THE GROUP

The Company and its subsidiaries, including Fullin Factoring, provide financial services with a focus on providing equipment-based finance leasing, commercial factoring and advisory services to their customers in the PRC.

INFORMATION ON LONGDING HUAYUAN AND DAYUAN TIANDI

Longding Huayuan is a company established in the PRC with limited liability. It is a non wholly-owned subsidiary of Dayuan Tiandi, a company established in the PRC with limited liability, and owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. Both Longding Huayuan and Dayuan Tiandi are principally engaged in real estate development.

IMPLICATIONS UNDER THE GEM LISTING RULES

Longding Huayuan is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company who is interested in 80,000,000 Domestic Shares, representing approximately 22.26% of the total number of issued Shares as at the Latest Practicable Date, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Factoring Agreement I constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined in the GEM Listing Rules in respect of the transactions contemplated under the Factoring Agreement I is less than 25% on an annual basis, but the total consideration under the Factoring Agreement I will be not

LETTER FROM THE BOARD

less than HK\$10,000,000, such transactions constitute non-exempt continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules and are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under the GEM Listing Rules.

Pursuant to Rule 20.52(2) of the GEM Listing Rules, if the Company proposes revising the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 20 of the GEM Listing Rules. In respect of the revision of the Existing Annual Caps and the aggregation of the transactions contemplated under the Finance Lease Agreements I and the Factoring Agreement I pursuant to Rule 20.79 of the GEM Listing Rules, as one or more of the applicable percentage ratios (other than the profits ratio) as defined in the GEM Listing Rules is less than 25% on an annual basis, but the total consideration of the Finance Lease Agreements I and the Factoring Agreement I will not be less than HK\$10,000,000, the Revised Aggregated Annual Caps are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under the GEM Listing Rules.

None of the Directors has any material interest in the transactions contemplated under the Factoring Agreement I and therefore none of them abstained from voting on the relevant resolutions of the Board.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Factoring Agreement I and the Revised Aggregated Annual Caps. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

Set out on pages 42 to 44 of this circular is the notice of EGM. In accordance with Rule 17.47(4) of the GEM Listing Rules, all votes to be taken at the EGM will be by poll. Dayuan Tiandi and its associates, who were interested in a total of 80,000,000 Domestic Shares representing approximately 22.26% of the total number of issued Shares as at the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps.

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.fyleasing.com). Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed on the form and return it to the Company's Hong Kong 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 fixed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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 Friday, 17 November 2017 to Monday, 18 December 2017, both days inclusive, during which period no Share transfers can be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of H Shares should ensure that all transfer documents of H Shares accompanied by the relevant H share certificates must be lodged with the Company's Hong Kong 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 Thursday, 16 November 2017.

Shareholders whose names appear on the register of members of H Shares of the Company after the close of business on Thursday, 16 November 2017 are entitled to attend and vote at the EGM.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains its recommendations to the Independent Shareholders on the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps; (ii) the letter from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders as set out on pages 18 to 34 of this circular which contains, amongst other matters, its opinions in relation to the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps. Your attention is also drawn to the additional information set out in the appendices to this circular.

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Advisers) consider that the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

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 Group. 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.

Yours faithfully,
FY Financial (Shenzhen) Co., Ltd.
Mr. Zhuang Wei
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps.

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)

3 November 2017

To the Independent Shareholders

Dear Sir or Madam,

**(1) NEW CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FACTORING AGREEMENT I
AND
(2) REVISION OF ANNUAL CAPS OF EXISTING CONTINUING CONNECTED
TRANSACTIONS UNDER THE FINANCE LEASE AGREEMENTS I**

We refer to the circular of the Company to the Shareholders dated 3 November 2017 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether, in our opinion, the entering into of the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps, are in the interests of the Company and the Shareholders as a whole and the terms of the Factoring Agreement I are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Independent Board Committee have any direct or indirect interest in the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. We wish to draw your attention to the letter of advice from Octal Capital Limited as set out on pages 18 to 34 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 15 of the Circular, which contains, among other things, details of the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps, respectively, and the “Letter from the Independent Financial Adviser” set out on pages 18 to 34 of the Circular, which contains the advice from the Independent Financial Adviser in respect of the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps, respectively.

We have discussed with the management of the Company the reasons for entering into the Factoring Agreement I, and the basis upon which the terms of the Factoring Agreement I have been determined and the major factors taken into account by the Company in arriving at the Revised Aggregated Annual Caps. We have also considered the key factors taken into consideration by the Independent Financial Adviser in forming its opinions regarding the terms of the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps as set out in the “Letter from the Independent Financial Adviser” on pages 18 to 34 of the Circular, which we urge you to read carefully.

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

Yours faithfully,

For and on behalf of

the Independent Board Committee

Fung Che Wai Anthony
*Independent Non-executive
Director*

Hon Leung
*Independent Non-executive
Director*

Liu Shengwen
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Octal Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committees and the Independent Shareholders regarding the Factoring Agreement I and the Revised Aggregated Annual Caps.



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

3 November 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(1) NEW CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE FACTORING AGREEMENT I
AND
(2) REVISION OF ANNUAL CAPS OF EXISTING
CONTINUING CONNECTED TRANSACTIONS UNDER
THE FINANCE LEASE AGREEMENTS I**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the new continuing connected transactions contemplated under the Factoring Agreement I and the Revised Aggregated Annual Caps, details of which are set out in the Letter from the Board contained in the circular of the Company dated 3 November 2017 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 9 October 2017, Fullin Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement I with Longding Huayuan, pursuant to which Fullin Factoring has agreed to provide the accounts receivable factoring services for Longding Huayuan for a term of three years commencing from the Effective Date with a facility in the factoring principal amount of RMB41,800,000 (equivalent to approximately HK\$49,193,833).

Reference is made to the Prospectus in relation to the provision of the finance lease services by the Company to Longding Huayuan under the Finance Lease Agreements I prior to the Listing. As the transactions contemplated under the Finance Lease Agreements I and the Factoring Agreement I (the “**Continuing Connected Transactions**”) are entered into between the Group and Longding Huayuan, these transactions have to be aggregated under Rule 20.79 of the GEM Listing Rules. Accordingly, the Company proposes revising the Existing Annual Caps by taking into account (i) the maximum

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

outstanding balance of the finance lease principal amount and the retention consideration (if applicable) payable by Longding Huayuan to the Company under the Finance Lease Agreements I for each of the three years ending 31 December 2019; and (ii) the maximum outstanding balance of the factoring principal amount, the factoring interest and the management fee payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I for each of the four years ending 31 December 2020.

Longding Huayuan is a non-wholly owned subsidiary of Dayuan Tiandi, which is a substantial shareholder of the Company who is interested in 80,000,000 Domestic Shares, representing approximately 22.26% of the total number of issued Shares as at the Latest Practicable Date, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Factoring Agreement I and the Finance Lease Agreements I constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined in the GEM Listing Rules in respect of the transactions contemplated under the Factoring Agreement I is less than 25% on an annual basis, but the total consideration under the Factoring Agreement I will be not less than HK\$10,000,000, such transactions constitute non-exempt continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules and are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under the GEM Listing Rules.

Pursuant to Rule 20.52(2) of the GEM Listing Rules, if the Company proposes revising the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 20 of the GEM Listing Rules. In respect of the Revised Aggregated Annual Caps and the Continuing Connected Transactions, as one or more of the applicable percentage ratios (other than the profits ratio) as defined in the GEM Listing Rules is less than 25% on an annual basis, but the total consideration of the Finance Lease Agreements I and the Factoring Agreement I will be not less than HK\$10,000,000, the Revised Aggregated Annual Caps are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under the GEM Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen, has been established to consider and advise the Independent Shareholders on whether the terms of the Factoring Agreement I was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Factoring Agreement I and the Revised Aggregated Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we, are not connected with the directors, chief executives and substantial shareholders of the Company or any of their respective subsidiaries or associates or parties acting in concert with any of them and do not have any shareholding, directly or indirectly, in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are therefore considered suitable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no previous engagement between us and the Group or Dayuan Tiandi or Longding Huayuan or any of their respective subsidiaries or associates. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relation would not affect our independence. We are independent of the Company pursuant to Rule 17.96 of the GEM Listing Rules.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps, we have taken the following principal factors and reasons into consideration:

1. Background information of the Group

The Group's principal business activity is provision of finance leasing, commercial factoring and advisory services to their customers in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below presents the major information extracted from the consolidated statement of comprehensive income of the Group for the years ended 31 December 2015 and 2016 and for the six months ended 30 June 2016 and 2017.

	For the year ended		For the six months	
	31 December		ended 30 June	
	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Finance lease income	36,206	45,396	21,770	29,715
Factoring income	12,713	11,838	7,922	2,449
Others	20,692	18,813	4,082	7,708
Total Revenue	<u>69,611</u>	<u>76,047</u>	<u>33,774</u>	<u>39,872</u>
Profit attributable to owners of the Company	6,400	16,169	11,144	797

Source: The Prospectus and the interim report of the Company for the six months ended 30 June 2017

The finance lease income increased from RMB36.2 million for the year ended 31 December 2015 to RMB45.4 million for the year ended 31 December 2016. The growth in the finance lease income was principally driven by the expansion of the finance leasing business and the increase in the average number of finance leases that were effective during 2015 and 2016. The finance lease income increased from RMB21.8 million for the six months ended 30 June 2016 to RMB29.7 million for the six months ended 30 June 2017. The growth in the finance lease income was principally driven by (i) Group's continuous development of its finance leasing business in traditional industries such as the electronics and fast moving consumer goods industries; (ii) deployment of more resources by the Group in promising sectors with steady development such as medical and new energy industries; and (iii) active exploration of business opportunities in new businesses, such as small sized business and medical equipment trading business.

The factoring income accounted for 18.3% and 15.6% of the total revenue during the two years ended 31 December 2015 and 2016. The factoring income amounted to RMB12.7 million for the year ended 31 December 2015 and remained relatively stable at RMB11.8 million for the year ended 31 December 2016. The factoring income decreased from RMB7.9 million for the six months ended 30 June 2016 to RMB2.4 million for the six months ended 30 June 2017. The decrease in the factoring income was mainly due to the fact that the Group is adjusting its strategy of factoring business during the year ending 31 December 2017.

The profit attributable to owners of the Company for the year increased by RMB9.8 million to RMB16.2 million for the year ended 31 December 2016 from RMB6.4 million for the year ended 31 December 2015, primarily as a result of the increase in the gross profit by RMB19.5 million and the decrease in net impairment loss on accounts receivable by RMB6.3 million, and partially offset by the increase in listing expenses by RMB8.7 million and the increase in income tax expenses by RMB5.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The profit attributable to owners of the Company decreased from RMB11.1 million for the six months ended 30 June 2016 to RMB0.8 million for the six months ended 30 June 2017 primarily as a result of the one-off listing expenses and the increase in interest expenses due to the increase in interest-bearing bank borrowings.

2. Background information of Longding Huayuan

Longding Huayuan was a company established in the PRC on 8 October 2000 with limited liability. It is a non-wholly-owned subsidiary of Dayuan Tiandi. Longding Huayuan has a paid-up capital of RMB200 million and is engaged in real estate development including development and sale of residential properties and provision of leasing services for ancillary shops and buildings in the residential area.

3. Background information of Dayuan Tiandi

Dayuan Tiandi was established in the PRC on 19 December 2001 and is engaged in real estate development with a paid-up capital of RMB150 million. It is owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. Dayuan Tiandi is a substantial shareholder of the Company holding 22.26% of Shares of the Company as at the Latest Practicable Date.

4. New Continuing Connected Transactions In Relation To the Factoring Agreement I

(i) Major terms of the Factoring Agreement I

Parties:	Fullin Factoring (as factor) Longding Huayuan (as seller)
Financing term:	Three years commencing from the Effective Date
Factoring principal:	RMB41,800,000
Factor ratio ^{Note 1} :	80%
Factoring interest:	10.5% per annum and payable on a monthly basis
Management fee:	RMB627,000 (including VAT, one-off and non-refundable)
Repayment of the factoring principal amount:	The factoring principal is payable on a semi-annually basis in accordance with the below schedule.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Payment due date	Amount in RMB
	1 6 months after Effective Date	6,900,000
	2 12 months after Effective Date	6,900,000
	3 18 months after Effective Date	6,900,000
	4 24 months after Effective Date	6,900,000
	5 30 months after Effective Date	6,900,000
	6 36 months after Effective Date	<u>7,300,000</u>
	Total	<u><u>41,800,000</u></u>
Guarantors:	- Dayuan Tiandi	
	- Mr. Gong Liang	
Underlying assets:	Accounts receivable in relation to 34 lease agreements which are related to shops and offices, which are owned by Longding Huayuan, located inside a residential area in Beijing, with an estimated rental receivables of approximately RMB53.1 million over a period from December 2017 to September 2021.	

Note 1: Factor ratio represents the ratio of the maximum factoring principal amount to the accounts receivable being assigned under the factoring agreement

The table below summarizes the estimated rental receivables to be received by Longding Huayuan from the 34 lessees and the repayment of factoring interest and principal from Longding Huayuan to Fullin Factoring.

	For the year ending 31 December					Total
	2017	2018	2019	2020	2021	
Rental receivables by Longding Huayuan from the 34 lessees	2.7	17.0	17.3	15.7	0.4	53.1
Factoring interest and principal repayment from Longding Huayuan to Fullin Factoring	0.4	17.5	16.1	15.2	0.0	49.2

(RMB million)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the above, we note that the rental receivables of Longding Huayuan is more than the factoring interest and principal to be repaid to Fullin Factoring during the years ending 31 December 2017, 2019 and 2020. Although the rental receivables of Longding Huayuan is approximately RMB0.5 million less than the repayment of factoring interest and principal to Fullin Factoring in 2018, the excess of RMB2.3 million in 2017 sufficiently covers the shortfall in 2018. We are of the opinion that the rental receivables can generate stable income for Longding Huayuan to cover the repayment of factoring interest and the principal to Fullin Factoring.

References are made to the announcements of the Company dated 20 July 2017, 22 August 2017 and 6 September 2017, Fullin Factoring entered into three discloseable transactions in relation to six sets of factoring agreements with independent third parties during the period from its Listing Date (i.e. 23 May 2017) to 30 September 2017 (the “**Factoring Comparables**”). For the purpose of assessing the reasonableness of the Factoring Agreement I, we have reviewed and summarized the details of the Factoring Comparables.

Date of announcement	Factoring agreement	Factoring principal (RMB million)	One-off management fee (RMB million)	Term (years)	Interest rate (per annum)	Factor ratio %	Repayment of Adjusted factoring principal and ratio interest	
							Adjusted factor ratio %	factor principal and interest
20 July 2017	A	5.6	0.2	3.3	10.5%	80	77.1	Payable on a quarterly basis
20 July 2017	B	7.2	0.4	4.8	10.5%	90	85.5	Payable on a quarterly basis
20 July 2017	C	4.5	0.2	5	10.5%	90	85.5	Payable on a quarterly basis
20 July 2017	D	4.7	0.2	4.5	10.5%	70	66.5	Payable on a quarterly basis
22 August 2017	E	4.5	0.2	5	10.5%	90	86.5	Payable on a quarterly basis
6 September 2017	F	18.3	0.7	6	10.5%	90	85.5	Payable on a quarterly basis

Note: The adjusted factor ratio is calculated based on the net factoring principal divided by the assigned accounts receivable under the respective factoring agreement. The net factoring principal is the gross factoring principal minus the one-off management fee.

Factor ratios

The factor ratios of the Factoring Comparables ranged from 70% to 90%. We understand from the management of the Company that the factor ratio is determined on a case-by-case basis with reference to the factors including the overall strength and competitiveness of its customers as well as their financial condition, business operation, repayment capability and credit status. We have reviewed the risk assessment report of Longding Huayuan prepared by the Company. We noted that the Company has performed due diligence on the credit status, background, financial situation and risk

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

exposure of the lessees, Longding Huayuan and the two guarantors. Considering that the stable rental income can be generated from the respective 34 sets of rental agreements and the result of the risk assessment report of Longding Huayuan, the factor ratio is restricted to no more than 80% of the accounts receivable assigned. Based on the above and the factor ratio under the Factoring Agreement I within the range of the factor ratios of the Factoring Comparables, we consider that the basis of determining the factor ratio under the Factoring Agreement I is consistent with the Company's factoring policy and is fair and reasonable.

Factoring interest

Pursuant to the Factoring Agreement I, the factoring interest was determined after arm's length negotiation between Fullin Factoring and Longding Huayuan after taking into account the prevailing market rate of interest for factoring transactions, the risk associated with the factoring activity under the Factoring Agreement I, including but not limited to, the business, the financial condition and the repayment capability of Longding Huayuan. The factoring interest shall be calculated based on the following formula:

$$A \times B \times \frac{C}{360}$$

A = the outstanding balance of the factoring principal amount

B = the interest rate of 10.5% per annum

C = the actual number of days of the advancement

We note that the factoring interest under the Factoring Agreement I is calculated based on the same formula as the Factoring Comparables. As advised by the Company, the Company considers the risk associated with the Factoring Agreement I is comparable to the risks associated with the Factoring Comparables. As such, the interest rate under the Factoring Agreement I is 10.5% and is same as the ones of the Factoring Comparables.

Repayment of the factoring principal amount

The factoring interest under Factoring Agreement I will be settled on a monthly basis and the factoring principal will be settled on a semi-annually basis. The factoring interests and the factoring principal of the Factoring Comparables are settled on a quarterly basis. The underlying accounts receivable (i.e. rental receivables by Longding Huayuan) of the Factoring Agreement I are settled either semi-annually or annually in advance of each of the lease terms, while those underlying accounts receivable of Factoring Comparables are settled quarterly. Adopting a different repayment schedule is mainly due to different settlement schedule of the underlying accounts receivable and the higher interest income. The Company indicated that the Group may face liquidity risk by adopting less frequent principal repayment timetable. The Company advised that a monthly review on the Group's cash flow position is performed to monitor the cash flow requirements. Also, based on the Group's

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

latest financial position and the net proceeds received after the Listing, the Company confirms that the Group has sufficient working capital to support its factoring business. Balancing the potential risk and benefit associated with the semi-annual repayment schedule, the Directors consider that it is fair and reasonable to adopt a semi-annual repayment schedule.

We have reviewed the repayment schedule of the Factoring Agreement I and noted that the factoring interest income will decrease from approximately RMB7.4 million to RMB6.9 million when repayment schedule is changed from semi-annually basis to quarterly basis. The Company considers that the payment schedule of the underlying accounts receivable are settled every six months or twelve months in advance of each of the lease terms. The semi-annual repayment schedule of the principal can match with the cash inflow of Longding Huayuan derived from the settlement of accounts receivable. We reviewed the audited account of Longding Huayuan for the year ended 31 December 2016. We noted that the current assets of Longding Huanyuan was approximately RMB 3,115.3 million including cash and bank balance of RMB34.5 million and its net current asset of approximately RMB2,801.1 million. Considering that (i) the semi-annual repayment schedule of factoring principal generates a higher factoring interest income; (ii) the factoring principal repayment frequency is in line with the cash inflow of Longding Huayuan derived from the settlement of accounts receivable; (iii) the net current assets of Longding Huayuan is sufficient to finance the repayment of factoring principal, we concur with the Directors that the semi-annual repayment schedule of principal is fair and reasonable.

To further assess the fairness and reasonableness of the major terms of the Factoring Agreement I, we have identified eight market comparables (the “**Market Comparables**”) based on the criteria that (i) the Market Comparables involve in a factoring transaction and enters into a factoring agreement; (ii) the announcement, with detailed terms disclosed, is made within the past 12 months from the date the Announcement; and (iii) the Market Comparables are listed on the Stock Exchange. We consider that the Market Comparables in the below table represent an exhaustive list based on such criteria and are relevant and appropriate comparables of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the major terms of the Market Comparables:

Date of announcement	Stock code	Company name	Interest rate per annum	Term (months)	Management fee per annum	Repayment of the principal	Basis in calculating factoring interest
26/9/2017	629	Yue Da Mining Holdings Limited	7.0%	6	2.5% (Note 4)	Note 2	Note 3
21/9/2017	3848	Wealthy Way Group Limited	7.2%	24	—	quarterly or semi-annually instalment	outstanding factoring principal amount * interest rate per annum * actual number of days of the advancement / 360
13/9/2017	8469	Sheng Ye Capital Limited	10% - 15%	5	no more than 12% of the accounts receivable assigned	Note 2	Note 3
19/7/2017	8469	Sheng Ye Capital Limited	13.5%	7	4.2% of the accounts receivable assigned	Note 2	Note 3
17/6/2017	172	Goldbond Group Holdings Limited	8.0%	24	2.0% of the factoring principal	Note 2	Note 3
8/2/2017	1070	TCL Multimedia Technology Holdings Limited	no more than 8%	12	no more than 2.0% (Note 4)	Note 2	outstanding factoring principal amount * interest rate per annum * actual number of days of the advancement / 360
23/12/2016	1070	TCL Multimedia Technology Holdings Limited	no more than 8%	12	no more than 2.0% (Note 4)	Note 2	outstanding factoring principal amount * interest rate per annum * actual number of days of the advancement / 360
8/10/2016	663	King Stone Energy Group Limited	5.7% (Note 5)	36	1.0% (Note 4)	Note 2	Note 3
		<i>Maximum</i>	15.0%	36	12.0%		
		<i>Minimum</i>	7.0%	5	0.0%		
		<i>Average</i>	9.1%	15.8	3.2%		
		<i>Median</i>	8.0%	12	2.0%		
		The Company	10.5%	36	1.5% on the factoring principal amount	semi-annually basis	outstanding factoring principal amount * interest rate per annum * actual number of days of the advancement / 360

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note 1: In the announcements of the Market Comparables, no factor ratio is disclosed or no sufficient information is disclosed for calculating the factor ratio.

Note 2: Repayment term of the principal is not disclosed in the announcements of the Market Comparables.

Note 3: Basis in calculating the factoring interest is not disclosed in the announcements of the Market Comparables.

Note 4: In the announcements of the Market Comaprables, the basis of calculating the management fee is not disclosed.

Note 5: The factoring interest rate is a floating rate with reference to the lending rate promulgated by the People's Bank of China (i.e 4.75% for a loan period from one to five years as at the Latest Practicable Date) with a 20% margin. For our comparison purpose, the estimated factoring interest rate is approximately 5.7% per annum.

Based on the above table, the factoring interest rates of three Market Comparables were determined on the respective loan drawdown dates and were subject to an interest rate cap. As such, we adopted the interest rate cap for our comparison purpose. We note that (i) the maximum interest rate per annum of the Market Comparables ranged from approximately 7.0% to 15.0% and had an average of approximately 9.1% and a median of approximately 8.0%; (ii) the term of the Market Comparables ranged from approximately 5 months to 36 months and had an average of approximately 15.8 months and a median of approximately 12 months. Based on the above findings, the factoring interest rate of the Factoring Agreement I is above the average and median of the Market Comparables and the duration of Factoring Agreement I is within the respective range of the Market Comparables.

We noted that factoring agreements of the Market Comparables include a management fee and the range of management fee ratio is between 0% and 12.0% and had an average of approximately 3.2% and a median of approximately 2.0% based on various determination basis. Although the Market Comparables have various way to calculate the respective management fees under their factoring agreements, it is common to charge a management fee for a factoring agreement. Moreover, a management fee is also charged to the customers of the Factoring Comparables and thus their factoring principal are reduced accordingly. The adjusted factor ratio of the Factoring Agreement I was approximately 77.5% which falls within the respective range of Factoring Comparables.

As shown in the above table, three out of the eight Market Comparables disclosed the calculation basis of the factoring interest and their basis in calculating factoring interest is similar to that of the Factoring Agreement I.

Despite that there is different calculation basis of management fee, having considered in particular that (i) the factoring interest rate of the Factoring Agreement I is above the average and median of the Market Comparables as well as within the range of factoring interest rates of the Market Comaprable; (ii) the duration of Factoring Agreement I is within the range of Market Comparables; and (iii) the calculation basis of factoring interest of the Factoring Agreement I is similar to three of the Market Comparables, we are of the view that the terms under the Factoring Agreement I are on normal commercial terms in line with market practice and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Reasons and benefits for entering into the Factoring Agreement I*

As stated in the Prospectus, factoring business is one of the main service types provided by the Group. Factoring income amounted to approximately RMB6.4 million, RMB12.7 million and RMB11.8 million, representing 12.3%, 18.3% and 15.5% of the total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. During the year ended 31 December 2016, the factoring customers are mainly engaged in the manufacturing, education, wholesale and retails, property leasing and medical industries. Among those industries, the proportion of factoring income contributed by the factoring customers from property leasing industry increased from 14.7% of the total factoring income for the year ended 31 December 2014 to 40.7% for the year ended 31 December 2015, and further increased to 42.1% for the year ended 31 December 2016. Pursuant to the Factoring Agreement I, we noted that the assigned accounts receivable is in relation to the property leasing of shops and offices located inside a residential area in Beijing with an estimated rental receivables of approximately RMB53.1 million over a period from December 2017 to September 2021. Considering that the assigned accounts receivable under the Factoring Agreement I are in the industry that the Group currently focuses on and is familiar with, we are in opinion that entering into the Factoring Agreement I can help the Group further expand its business scale in factoring business for the property leasing industry. The Factoring Agreement I can generate stable factoring income in the coming three years from the Effective Date.

On the other hand, we noted that the assigned accounts receivable under the Factoring Agreement I included 34 sets of rental agreements with a total of estimated rental receivables approximately RMB53.1 million from December 2017 to September 2021. Among 34 lessees, 29 lessees settled their annual rental in advance at the beginning of each year of their lease term and five lessees settled six months of rental in advance every half year during their lease terms. As advised by the Company, the 34 lessees are independent and unrelated to each other. We also noted that the lessees are from different industries. As such, we consider that the risk of default by the lessees is diversified and the repayment capability of Longding Huayuan is therefore more ascertained. As stated in the Factoring Agreement I, Fullin Factoring may exercise its right of recourse and shall be entitled to demand Longding Huayuan to immediately and unconditionally repurchase the outstanding amount of accounts receivable being transferred to Fullin Factoring, repay the outstanding factoring principal amount and pay the factoring expenses in the event that any of the triggering events as stated in the Letter from the Board. As such, the recoverability risk can be further reduced.

Moreover, each of Dayuan Tiandi and Mr. Gong Liang, who holds 45% of equity interest in Dayuan Tiandi and is a director and the legal representative of each of Dayuan Tiandi and Longding Huayuan, entered into a guarantee agreement in favour of Fullin Factoring in respect of all debt payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I. We have reviewed the unaudited financial statement of Dayuan Tiandi for the six months ended 30 June 2017 and noted that Dayuan Tiandi had a cash balance of approximately RMB37.4 million and its net asset amounted to approximately RMB186.8 million as at 30 June 2017. As at the Latest Practicable Date, Dayuan Tiandi, which has a paid up capital of RMB150 million. Mr. Gong Liang has 45% equity interest in Dayuan Tiandi and therefore Mr. Gong Liang is deemed to be interested in the Shares held by Dayuan Tiandi. Considering the latest available financial information of Dayuan Tiandi and Mr. Gong Liang's

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

indirect interest in the Company, we are in the opinion that Dayuan Tiandi and Mr. Gong Liang, on a jointly basis, are financially competent to be the guarantors under the Factoring Agreement I. The corresponding exposure and risks of default under the Factoring Agreement I are considered limited.

For all potential factoring customers (either connected parties or independent third parties), the business and risk management departments of Fullin Factoring will conduct due diligence work and risk assessment in accordance with the Group's internal control policy, including (i) customer due diligence and credit assessment; (ii) project assessments and preparation. We reviewed the risk assessment report prepared by the risk management department and noted that a staff from the risk management department has conducted site inspection during 3 to 9 August 2017. The risk management department examined 34 sets of lease agreements and performed on-site visit to confirm the existence and accuracy of the lease agreements stipulated under the Factoring Agreement I. The risk management department sample-checked rental settlement records from nine lessees and confirmed that the rental receivables are properly settled, and Longding Huayuan maintains internal control procedures to monitor the settlement of rental receivables due from the lessees. The risk management department also conducted background check and litigation check of major lessees, Longding Huayuan, Dayuan Tiandi and Mr. Gong Liang to assess their creditworthiness with no negative results found. Based on the due diligence work conducted by the risk management department, the department formed a conclusion that (i) the lessees settled rental on a timely basis; (ii) the low management cost of the leased properties will not put a heavy financial burden on Longding Huanyuan; (iii) Longding Huayuan has sufficient amount of cash and the cash inflow from the leased properties is sufficient to cover the finance cost; (iv) the risk control procedures of rental income are in place; and (v) the real estate development of Longding Huanyuan is sustainable under the optimistic prospect of property market. The risk assessment report was circulated to the project approval committee for review and we noted that the risk assessment report was approved by all seven committee members on 17 August 2017. Since the transaction amount was over RMB5 million, the Factoring Agreement I and the risk assessment report were passed to the risk & investment committee for review. We also examined the internal approval document and noted that the Factoring Agreement I and the risk assessment report were approved by all six committee members of the risk & investment committee on 31 August 2017.

Considering that (i) the Factoring Agreement I is in line the Group's business development strategy; (ii) the default risk associated with the accounts receivable under the Factoring Agreement I has been diversified; (iii) the repurchase clause in the Factoring Agreement I reduces the recoverability risk; (iv) Longding Huayuan, Dayuan Tiandi and Mr. Gong Liang, on a collective basis, are financially competent; and (v) Fullin Factoring carried out the due diligence work and risk assessment work in accordance with the Company's internal control policies as stated above with satisfactory result and dual approvals from the project approval committee and the risk & investment committee, we concur with the Directors that the Factoring Agreement I is entered into in the ordinary and usual course of the business of the Group and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(5) Revised Aggregated Annual Caps

Reference is made to the Prospectus in relation to the provision of the finance lease services by the Company to Longding Huayuan under the Finance Lease Agreements I entered into between both parties prior to the Listing. As set out in the Letter from the Board, the Company proposes revising the Existing Annual Caps by taking into account (i) the maximum outstanding balance of the finance lease principal amount and the retention consideration (if applicable) payable by Longding Huayuan to the Company under the Finance Lease Agreements I for each of the three years ending 31 December 2019; and (ii) the maximum outstanding balance of the factoring principal amount, the factoring interest and the management fee payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I for each of the four years ending 31 December 2020.

The Revised Aggregated Annual Caps are set out below:

	For the year ending 31 December			
	2017	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Equivalent</i>	<i>(Equivalent</i>	<i>(Equivalent</i>	<i>(Equivalent</i>
	<i>amount of HK\$)</i>	<i>amount of HK\$)</i>	<i>amount of HK\$)</i>	<i>amount of HK\$)</i>
	<i>(Approx.)</i>	<i>(Approx.)</i>	<i>(Approx.)</i>	<i>(Approx.)</i>
Existing Annual Caps	RMB326,000 (HK\$383,665)	RMB88,000 (HK\$103,566)	nil	nil
 Revised Aggregated Annual Caps				
Finance Lease Agreements I	RMB5,200,000 (HK\$6,119,807)	RMB2,400,000 (HK\$2,824,526)	nil	nil
Factoring Agreement I	RMB43,000,000 (HK\$50,606,096)	RMB46,000,000 (HK\$54,136,754)	RMB31,000,000 (HK\$36,483,465)	RMB16,000,000 (HK\$18,830,175)
Total	<u>RMB48,200,000</u> <u>(HK\$56,725,903)</u>	<u>RMB48,400,000</u> <u>(HK\$56,961,280)</u>	<u>RMB31,000,000</u> <u>(HK\$36,483,465)</u>	<u>RMB16,000,000</u> <u>(HK\$18,830,175)</u>

In order to assess the fairness and reasonableness of the Revised Aggregated Annual Caps, we have discussed with the management of the Company about the bases of determining the Revised Aggregated Annual Caps. We have also obtained and reviewed a schedule provided by the Company in respect of the amount of the transactions under the Factoring Agreement I and Finance Lease Agreements I for the four years ending 31 December 2020.

The revised annual caps for the Finance Lease Agreements I take into account the aggregate of the finance lease income, the maximum outstanding balance of finance lease principal amount and the retention consideration (if applicable) (all exclusive of VAT) payable by Longding Huayuan to the Company under the Finance Lease Agreements I for each of the two years ending 31 December 2018. The revised annual cap of the Finance Lease Agreements I was RMB5.2 million for the year ending

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

31 December 2017, among which approximately RMB4.8 million represented the principal amount and RMB0.4 million represented the interest income. The revised annual cap for the year ending 31 December 2018 was RMB2.4 million, among which approximately RMB2.3 million represented the principal amount and RMB0.1 million represented the annual interest income. The decrease in the revised annual caps for the Finance Lease Agreements I was due to the regular repayment of approximately RMB0.24 million per month during the year ending 31 December 2017 and RMB0.25 million per month during the year ending 31 December 2018. The monthly repayment is determined based on the principal amount, the lease terms and the interest rates stipulated under the Finance Lease Agreements I. The monthly repayment gradually reduced the outstanding principal and therefore the respective annual caps was in a decreasing trend.

The annual caps of the Factoring Agreement I is the aggregate of (i) the maximum outstanding balance of the factoring principal; (ii) the factoring interest; and (iii) the management fee, which will be payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I during the 36 months commencing on the Effective Date. Based on an assumption that the Factoring Agreement I will become effective on 1 December 2017, the annual cap for the year ending 31 December 2017 includes the maximum outstanding principal of RMB41.8 million, the factoring interest of December 2017 and the amortized management fee of December 2017. The maximum outstanding principal for the years ending 31 December 2017 and 2018 will be RMB41.8 million. However, the annual cap for the year ending 31 December 2018 is higher than that for the year ending 31 December 2017 because of the full year impact of factoring interests and the amortized management fee.

The factoring principal of the Factoring Agreement I will be repaid on a semi-annually basis and the maximum outstanding principal will be approximately RMB41.8 million, RMB41.8 million, RMB28.0 million and RMB14.2 million during the four years ending 31 December 2020, respectively. Among the whole repayment lump sum, RMB13.8 million will be repaid and deducted from the principal in 2018 and 2019 respectively and the rest of the principal of RMB14.2 million will be repaid in 2020 according to the repayment schedule. Taking into account of the repayment schedule of the principal, the maximum outstanding balance of the factoring principal will be RMB41.8 million, RMB41.8 million, RMB28.0 million and RMB14.2 million during the four years ending 31 December 2020. The factoring income under the Factoring Agreement I is also decreasing during the three years ending 31 December 2020 because of the decrease in the outstanding factoring principal. Therefore, the annual caps of the Factoring Agreement I gradually reduced from RMB46.0 million during the year ending 31 December 2018 to RMB16.0 million during the year ending 31 December 2020.

Having reviewed (i) the principal repayment schedule, the interest income calculation and the calculation of amortized management fee under the Factoring Agreement I; and (ii) the monthly repayment schedule and interest income calculation the Finance Lease Agreements I, we are of the view that the Revised Aggregated Annual Caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(6) Internal Control

The asset management department, business department, finance department and risk management department of the Company are collectively responsible for portfolio management of the transactions contemplated under the Finance Lease Agreements I and the Factoring Agreement I to ensure that the terms under the Finance Lease Agreements I and Factoring Agreement I will be complied with and the Revised Aggregated Annual Caps will not exceed. The asset management department will send payment reminders to Longding Huayuan on a monthly basis and prepare monthly reports relating to the status of such receivable for senior management to review. The finance department is responsible to monitor the status of repayment from Longding Huayuan and calculate whether the outstanding balance is within the Revised Aggregated Annual Caps and provide feedback to the asset management department and the senior management of the Company. Once there is any overdue payment, the asset management department, business department, finance department and risk management department will discuss a solution plan to ensure that the Revised Aggregated Annual Caps would not be exceeded. As further advised by the Company, Longding Huayuan has no previous overdue or late repayment record in relation to the Finance Lease Agreements I.

We also understand from the Company that the Company will engage its auditor to conduct an annual review and report on the continuing connected transactions every year and confirm its factual findings in the annual report of the Company. The auditor will provide a letter to the Board confirming whether the continuing connected transactions (i) have been approved by the Board; (ii) were, in all material respects, in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the annual cap.

In view of the above, we consider that there are measures in place to monitor the transactions with connected parties and the respective annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the Factoring Agreement I was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Factoring Agreement I and the Revised Aggregated Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Factoring Agreement I, the transactions contemplated thereunder and the Revised Aggregated Annual Caps.

Yours faithfully
For and on behalf of
Octal Capital Limited

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

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

1. 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”) ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Unlisted Foreign Shares	Beneficial owner	149,500,000 (L)	100%	149,500,000 (L)	41.60%
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)	0.55%

APPENDIX

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.)
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)	0.55%
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)	0.55%
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)	0.55%
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)	0.55%
Mr. Zheng Yonggang ⁽⁷⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.55%

APPENDIX
GENERAL INFORMATION

Name of shareholder	Class of Shares	Nature of interest	Shares held	Percentage	Shares held	Percentage
			in the relevant class of Shares	(approx.)	in the total share capital of the Company	(approx.)
			Number ⁽¹⁾		Number ⁽¹⁾	
Ms. Zhou Jiqing ⁽⁷⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.55%
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	10,008,000 (L)	11.14%	10,008,000 (L)	2.79%
KKC Capital Limited ⁽¹⁰⁾	H Shares	Investment manager	10,008,000 (L)	11.14%	10,008,000 (L)	2.79%
Avia Asset Management Limited ⁽¹¹⁾	H Shares	Investment manager	10,008,000 (L)	11.14%	10,008,000 (L)	2.79%
Mr. Chiu Wai Lap ⁽¹¹⁾	H Shares	Investment manager	10,008,000 (L)	11.14%	10,008,000 (L)	2.79%
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	13,718,000 (L)	15.27%	13,718,000 (L)	3.82%

Notes:

- (1) The letter “L” denotes the person’s long position in our 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 HK 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 12.96% 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 Holdings is interested in 96.93% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly holds 67.14% and indirectly holds 12.96% 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 Yonggang and 49% by Ms. Zhou Jiqing. By virtue of the SFO, Mr. Zheng Yonggang and Ms. Zhou Jiqing 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, 10,008,000 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, 10,008,000 H Shares were held by KKC Capital Limited as investment manager.
- (11) According to the information available on the website of the Stock Exchange, 10,008,000 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, 13,718,000 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 our 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 of the Company 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) **Directors' or Supervisors' interests in competing businesses**

As at the Latest Practicable Date, in so far as the Directors were aware, none of the 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.

2. 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.

3. EXPERT'S QUALIFICATION AND CONSENTS

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

Name	Qualification
Octal Capital Limited	Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report, as the case may be, and references to its name and logo in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2016, the date to which the latest audited financial statements of the Group were made up; and were not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date up to which the latest published audited accounts of the Company were made.

5. MISCELLANEOUS

- (a) The registered office of the Company is at Room 201, Block A, No.1 Qianwan First Road, Qianhai, Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, PRC and the principal place of business of the Company in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) The Company's Hong Kong H Share registrar and transfer office is Tricor Investor Services Limited at Level 22, Hopewell Centre 183 Queen's Road East Hong Kong.
- (c) The joint company secretaries of the Company is Ms. Ng Wing Shan and Ms. Wang Ying. Ms. Ng Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (d) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the service contracts referred to in the paragraph headed "Directors' and Supervisors' service contracts" in this appendix;
- (b) the Factoring Agreement I;
- (c) the accounts receivable transfer agreement dated 9 October 2017 entered into between Fullin Factoring as assignee and Longding Huayuan as assignor in relation to the accounts receivable assigned under the Factoring Agreement I;
- (d) the factoring service fee agreement dated 9 October 2017 entered into between Fullin Factoring as factor and Longding Huayuan as seller in relation to the management fee under the Factoring Agreement I;
- (e) the maximum guarantee agreement dated 9 October 2017 executed by Dayuan Tiandi as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I;
- (f) the maximum guarantee agreement dated 9 October 2017 executed by Mr. Gong Liang as guarantor in favour of Fullin Factoring in relation to the guarantee of debt payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I;
- (g) the Finance Lease Agreements I;
- (h) the guarantee agreement dated 14 December 2015 executed by Mr. Gong Liang as guarantor in favour of the Company in relation to the guarantee of payment of all debt payable by Longding Huayuan to the Company under the Finance Lease Agreements I;
- (i) the undertaking dated 20 December 2015 executed by Longding Huayuan in favour of the Company in relation to payment, termination and indemnity with respect to the Finance Lease Agreements I;
- (j) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (k) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (l) the written consent from the Independent Financial Adviser referred to in the section headed "Expert's Qualification and Consents" in this appendix; and
- (m) this circular.

NOTICE OF EGM

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

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

(Stock Code: 8452)

NOTICE OF EXTRORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of FY Financial (Shenzhen) Co., Ltd. (the “**Company**”) will be held at Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC on Monday, 18 December 2017 at 3:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

- (1) To consider and approve the following resolution in respect of continuing connected transactions:

“**THAT**, as set out in the circular dated 3 November 2017 issued by the Company to its shareholders (the “**Circular**”):

- (a) the with-recourse commercial factoring agreement dated 9 October 2017 (the “**Factoring Agreement I**”) entered into between 杉杉富銀商業保理有限公司 (Shan Shan Fullin Factoring Co., Ltd.) (“**Fullin Factoring**”) as factor and 北京市龍鼎華源房地產開發有限責任公司 (Beijing City Longding Huayuan Property Development Co., Ltd.) (“**Longding Huayuan**”) as customer, pursuant to which Fullin Factoring has agreed to provide the accounts receivable factoring services for Longding Huayuan for a term of three years commencing from the Effective Date with a facility in the factoring principal amount of RMB41,800,000, a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the revised annual caps for the Finance Lease Agreements I and the annual caps for the Factoring Agreement I for each of the four years ending 31 December 2020 as set out in the Circular be and is hereby approved; and
- (c) all other transactions to be entered into by the Company and/or its subsidiaries as contemplated under the Factoring Agreement I be and are hereby approved and any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute any other documents for and on behalf of the Company, and to sign all such security documents, other documents, instruments and agreements and to do all such acts or things as he/she/they

NOTICE OF EGM

consider necessary, desirable or expedient that are of administrative nature and ancillary to and for the purposes of carrying out or giving effect to the Factoring Agreement I or the transactions contemplated thereunder.”

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

Hong Kong, 3 November 2017

Notes:

1. For determining the entitlement to attend and vote at the above meeting, the register of members of H Shares of the Company will be closed from Friday, 17 November 2017 to Monday, 18 December 2017, both days inclusive, during which period no share transfers can be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of H Shares must lodge all transfer documents of H Shares accompanied by the relevant H share certificates at the Company's Hong Kong 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 Thursday, 16 November 2017.

Shareholders whose names appear on the register of members of H Shares of the Company after the close of business on Thursday, 16 November 2017 are entitled to attend and vote at the EGM. Dayuan Tiandi and its associates shall abstain from voting on the resolution to be put at the EGM.

2. Holder of H Share who intend to attend the EGM 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 Tuesday, 28 November 2017. 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 EGM.
3. A shareholder entitled to attend and vote at the above 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, 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.

NOTICE OF EGM

6. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong 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 EGM is expected to last for an hour. Shareholders (in person or by proxy) attending the meeting shall be responsible for their own travelling and accommodation expenses.

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