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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 8452)

**ANNOUNCEMENT FOR THE UNAUDITED FIRST QUARTERLY
RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

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

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

FIRST QUARTERLY RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of FY Financial (Shenzhen) Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2018 (“**Reporting Period**”) together with comparative figures for the corresponding period in 2017. All amounts set out in this announcement are expressed in Renminbi (“**RMB**”) unless otherwise indicated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

		Three months ended	
		31 March	
		2018	2017
		RMB	RMB
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	30,669,449	17,111,662
Direct costs		(8,303,156)	(6,152,125)
Gross profit		22,366,293	10,959,537
Other income and gains	3	2,314,874	490,496
Operating expenses		(2,227,310)	(3,148,050)
Administrative expenses		(8,404,596)	(6,912,809)
Reversal of impairment loss		387,755	1,269,757
Listing expenses		—	(455,086)
Profit before income tax	4	14,437,016	2,203,845
Income tax expense	5	(3,919,534)	(946,853)
Profit and total comprehensive income for the period attributable to equity owners of the Company		10,517,482	1,256,992
		RMB cents	RMB cents
Earnings per share:	6		
– Basic		2.93	0.47
– Diluted		2.93	0.47

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated results for the three months ended 31 March 2018 have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated results have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2017 as set out in the annual report of the Company dated 22 March 2018, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements.

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

3. REVENUE AND OTHER INCOME AND GAINS

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

	Three months ended	
	31 March	
	2018	2017
	RMB	RMB
	(Unaudited)	<i>(Unaudited)</i>
Revenue		
Finance lease income	22,203,807	13,441,966
Factoring income	4,121,361	1,324,965
Commission income	1,891,192	—
Advisory service fee income	2,404,472	2,365,814
Sale of goods	102,317	—
Business tax and surcharge	(53,700)	(21,083)
	30,669,449	17,111,662
Other income and gains		
Bank interest income	35,713	8,216
Exchange gain	—	8,448
Government grant (<i>note a</i>)	2,000,000	—
Interest income from available-for-sale financial assets	—	65,559
Interest income from short-term investments	—	193,863
Recharge of insurance premium (<i>note b</i>)	201,792	173,066
Others	77,369	41,344
	2,314,874	490,496

Notes:

- (a) The Company obtained and recognised a local government grant of RMB2,000,000 (2017: Nil) from the PRC government during the Reporting Period. The listing of H Shares on GEM of the Stock Exchange represented that the H Shares have been listed on the board of an overseas capital market, thus fulfilling relevant granting criteria and such government grant were immediately recognised as other income during the Reporting Period.
- (b) The amount mainly represented the mark-up on recharge of insurance premium for the lease assets paid by the Group on behalf and recharged to its finance lease customers.

4. PROFIT BEFORE INCOME TAX

	Three months ended	
	31 March	
	2018	2017
	RMB	RMB
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit before income tax is arrived at after charging/(crediting):		
Costs of borrowings included in direct cost:	8,303,156	6,152,125
– Interest expenses on interest-bearing bank and other borrowings**	8,207,078	6,152,125
– Bank charges and other expenses	16,328	—
– Interest charge on amount due to an intermediate holding company**	79,750	—
Depreciation of plant and equipment*	71,368	65,478
Operating lease rentals in respect of land and buildings	384,135	332,851
Loss on disposal of plant and equipment	801	—
Exchange loss/(gain)	8,029	(8,448)
Staff costs (including Directors' emoluments) comprise:	7,338,108	4,800,156
– Salaries, allowances and benefits in kind	4,333,502	3,795,546
– Discretionary bonuses	2,084,453	211,547
– Contributions to defined contribution retirement plan	920,153	793,063

* Depreciation charges are recognised in the condensed consolidated statement of comprehensive income as administrative expenses for the three months ended 31 March 2018 and 2017, respectively.

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

5. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2018	2017
	RMB	RMB
	(Unaudited)	<i>(Unaudited)</i>
Income tax		
– Current period	3,280,859	946,853
Deferred tax		
– Charged for the period	638,675	—
Income tax expense	3,919,534	946,853

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

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

6. EARNINGS PER SHARE

Basic earnings per share

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

	Three months ended	
	31 March	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Profit attributable to equity owners of the Company	10,517,482	1,256,992

	Numbers of shares	
	Three months ended	
	31 March	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	359,340,000	269,500,000

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the three months ended 31 March 2018 and 2017, respectively, and hence the diluted earnings per share are the same as the basic earnings per share.

7. DIVIDENDS

No dividends were paid, declared or proposed during the Reporting Period (three months ended 31 March 2017: nil). The Directors do not recommend the payment of a dividend in respect of the Reporting Period (three months ended 31 March 2017: nil).

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Equity attributable to owners of the Company					
	Share capital RMB	Merger reserve RMB	Capital reserve RMB	Statutory reserve RMB	Retained profits RMB	Total equity RMB
At 1 January 2017 (audited)	269,500,000	1,582,035	26,667,317	2,578,936	8,956,450	309,284,738
Profit and total comprehensive income for the period	—	—	—	—	1,256,992	1,256,992
At 31 March 2017 (unaudited)	269,500,000	1,582,035	26,667,317	2,578,936	10,213,442	310,541,730
At 1 January 2018 (audited)	359,340,000	1,582,035	31,096,839	5,708,426	26,515,969	424,243,269
Profit and total comprehensive income for the period	—	—	—	—	10,517,482	10,517,482
At 31 March 2018 (unaudited)	359,340,000	1,582,035	31,096,839	5,708,426	37,033,451	434,760,751

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the Reporting Period, the Group continued to strengthen its employee training and talent pool to support its business development, laying a solid foundation for its subsequent strategic planning. Moreover, the Group continued working on optimising its risk management and internal control procedures. The risk control process was further refined to enhance and strengthen project management and overall asset monitoring. The Group made steady progress in expanding its customer pool, focusing on industries including the fast-moving consumer goods, healthcare and alternative energy, electronic product and transportation, which the Directors believe could offer a stable income stream and are less sensitive to cyclical market fluctuations. During the Reporting Period, the Group's financial leasing and trading business continued to develop, and the Group expanded the small loan business and risk control team, preparing to deepen the development of its small loan business.

FINANCIAL REVIEW

Overall performance

During the Reporting Period, the Group maintained a significant growth in its revenue and recorded a revenue of approximately RMB 30.67 million, representing an increase of approximately 79.25% from approximately RMB 17.11 million for the same period of last year. The revenue growth was mainly due to the expansion of the Group's business. During the Reporting Period, the Group recorded a profit of approximately RMB 10.52 million, representing an increase of approximately 734.92% from approximately RMB 1.26 million for the same period of last year. The increase was mainly attributable to not only the significant increase in finance lease business and factoring business, but also the commission income generated from the diversification of service as part of the Group's revenue.

Direct costs

The Group's main cost items were interest expenses on bank borrowing. During the Reporting Period, the Group's direct costs amounted to approximately RMB 8.30 million, representing an increase of approximately 34.96% from approximately RMB6.15 million for the same period of last year, which was mainly due to the increase in interest-bearing bank borrowings.

Other income and gains

During the Reporting Period, the Group's other income and gains amounted to approximately RMB2.31 million, representing a significant increase of approximately 371.43% from approximately RMB0.49 million for the same period of last year. The increase was primarily attributable to government grant of RMB2,000,000 obtained in relation to the listing of H Shares on GEM.

Operating expenses

During the Reporting Period, the Group's operating expenses amounted to approximately RMB2.23 million, representing a decrease of approximately 29.21% from approximately RMB3.15 million for the same period of last year, which was mainly due to the decrease in consultancy fee of the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB8.40 million, representing an increase of approximately 21.56% from approximately RMB6.91 million for the same period of last year. The increase was mainly due to the increase in salaries and benefits as a result of the increase in the total number of administrative staff of the Group.

Reversal of impairment loss

During the Reporting Period, the Group's reversal of impairment loss on accounts receivable was approximately RMB0.39 million, while reversal of impairment loss on accounts receivable was approximately RMB1.27 million for the same period of last year, which was mainly due to decrease in impairment loss on accounts receivables, illustrating the effectiveness and maturity of the Group's risk management system.

Income tax expense

During the Reporting Period, the Group's income tax expense was approximately RMB3.92 million, representing a significant increase of approximately 312.63% from approximately RMB0.95 million for the same period of last year, which was mainly due to the increase in revenue and the increase in profit before income tax.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

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

Audit Committee

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

Required Standard of Dealings

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

DIVIDEND

The Board did not recommend any dividend for the Reporting Period (three months ended 31 March 2017: nil).

COMPETING INTERESTS

The Directors have confirmed that, as at 31 March 2018, none of the Directors, controlling Shareholders and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business (other than the Group) which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this announcement.

INTEREST OF COMPLIANCE ADVISER

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.fyleasing.com) and the Stock Exchange (www.hkexnews.hk). The unaudited first quarterly report of the Company for the Reporting Period will be dispatched to Shareholders and available on the above websites in due course.

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

Hong Kong, 8 May 2018

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

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)

Mr. Sun Luran (孫路然)

Independent non-executive Directors:

Mr. Fung Che Wai Anthony (馮志偉)

Mr. Hon Leung (韓亮)

Mr. Liu Shengwen (劉升文)

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

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