

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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 limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8452)

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FACTORING AGREEMENTS
(2) PROPOSED ANNUAL CAPS
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 6 to 26 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 27 to 28 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 29 to 49 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 Thursday, 24 October 2019 at 11:30 a.m. is set out on pages 60 to 62 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

If you intend to attend the EGM or any adjournment thereof in person or by proxy, you are required to complete and return the enclosed reply slip to the Company's Hong Kong H Share registrar, Tricor Investor Services Limited (for H Share Shareholders) on or before Friday, 4 October 2019.

9 September 2019

CHARACTERISTICS OF GEM

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

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

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	27
Letter from the Independent Financial Adviser	29
Appendix — General Information	50
Notice of EGM	60

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 August 2019 in relation to the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Dayuan Tiandi”	Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), a company established in the PRC and owned as to 56% by Dayuan Tiandi and 44% by certain Independent Third Parties
“Beijing Kuaiyi Tiandi”	Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), a company established in the PRC and owned as to 49% by Beijing Dayuan Tiandi and 51% by Shanghai Kuaiyi Mingshang
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of this circular, means Hong Kong Shanshan Resources Company Limited (香港杉杉資源有限公司), Ningbo Shanshan Co., Ltd. (寧波杉杉股份有限公司), Shanshan Group Co., Ltd. (杉杉集團有限公司), Ningbo Yonggang Clothing Investment Co., Ltd. (寧波甬港服裝投資有限公司), Shanshan Holding Co., Ltd. (杉杉控股有限公司), Ningbo Qinggang Investment Co., Ltd. (寧波青剛投資有限公司), Mr. Zheng Yonggang (鄭永剛) and Ms. Zhou Jiqing (周繼青)

DEFINITIONS

“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 RMB 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 effective date of the Factoring Agreements, that is the date on which the Factoring Agreements are approved by the Independent Shareholders
“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 Thursday, 24 October 2019 at 11:30 a.m. for the purpose of, among other things, considering and, if deemed appropriate, approving the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps
“Factoring Agreement I”	the with-recourse commercial factoring agreement dated 9 August 2019 entered into between Fullin Factoring (as factor) and Shanghai Kuaijie (as seller) in respect of the accounts receivable factoring services provided by Fullin Factoring to Shanghai Kuaijie with a factoring facility principal amount of RMB15,000,000 (equivalent to approximately HK\$16,739,203)
“Factoring Agreement II”	the with-recourse commercial factoring agreement dated 9 August 2019 entered into between Fullin Factoring (as factor) and Shanghai Kuaiyi Mingshang (as seller) in respect of the accounts receivable factoring services provided by Fullin Factoring to Shanghai Kuaiyi Mingshang with a factoring facility principal amount of RMB10,000,000 (equivalent to approximately HK\$11,159,469)
“Factoring Agreements”	Factoring Agreement I and Factoring Agreement II

DEFINITIONS

“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 GEM of the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries as at the Latest Practicable Date
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on GEM
“HK\$”	the Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the terms of the Factoring Agreements, the transactions contemplated thereunder and the proposed 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 Agreements, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholder(s)”	Shareholder(s) other than Dayuan Tiandi and its associates

DEFINITIONS

“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”	5 September 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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
“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
“Shanghai Kuaijie”	Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司), a company established in the PRC and a wholly-owned subsidiary of Beijing Kuaiyi Tiandi, which is owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi, and 51% by Shanghai Kuaiyi Mingshang
“Shanghai Kuaiyi Mingshang”	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司), a company established in the PRC and listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC (stock code: 831423), and a joint venture partner of Beijing Kuaiyi Tiandi
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than RMB 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 RMB0.8961 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.

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

Executive Directors:

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

Registered office:

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

Non-executive Directors:

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

Principal place of business in Hong Kong:

40/F, Sunlight Tower
No. 248 Queen's Road East

Independent non-executive Directors:

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

Wanchai
Hong Kong

9 September 2019

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FACTORING AGREEMENTS
(2) PROPOSED ANNUAL CAPS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the discloseable and continuing connected transactions contemplated under the Factoring Agreements.

The purposes of this circular are to provide you with (i) further details of the Factoring Agreements and the proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps; (iii) a letter of advice from the Independent Financial Adviser in relation to the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps; (iv) the notice convening the EGM; and (v) other information as required under the GEM Listing Rules.

LETTER FROM THE BOARD

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

On 9 August 2019, Fullin Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement I with Shanghai Kuaijie, pursuant to which Fullin Factoring agreed to provide accounts receivable factoring services for Shanghai Kuaijie with a factoring facility principal amount of RMB15,000,000 (equivalent to approximately HK\$16,739,203) in return for (i) factoring interest and management fee income; and (ii) transfer of the legal title of accounts receivable from Shanghai Kuaijie to Fullin Factoring.

On 9 August 2019, Fullin Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement II with Shanghai Kuaiyi Mingshang, pursuant to which Fullin Factoring agreed to provide accounts receivable factoring services for Shanghai Kuaiyi Mingshang with a factoring facility principal amount of RMB10,000,000 (equivalent to approximately HK\$11,159,469) in return for (i) factoring interest and management fee income; and (ii) transfer of the legal title of accounts receivable from Shanghai Kuaiyi Mingshang to Fullin Factoring.

If there is an event of default on the terms of the Factoring Agreement I by Shanghai Kuaijie or the terms of the Factoring Agreement II by Shanghai Kuaiyi Mingshang, Fullin Factoring may exercise its right of recourse and demand for the repurchase of the accounts receivable by Shanghai Kuaijie or Shanghai Kuaiyi Mingshang, respectively. In such an event, Shanghai Kuaijie or Shanghai Kuaiyi Mingshang (as the case may be) shall be liable to pay the factoring expenses, the default compensation and the outstanding factoring principal amount to Fullin Factoring.

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

Date of agreement:	9 August 2019
Parties:	Factoring Agreement I: Fullin Factoring (as factor) Shanghai Kuaijie (as seller)
	Factoring Agreement II: Fullin Factoring (as factor) Shanghai Kuaiyi Mingshang (as seller)
Type of facility:	One-off and with recourse
Condition precedent:	The Factoring Agreements are conditional upon the fulfilment of the requirements of the GEM Listing Rules by the Company in respect of the transactions contemplated under the Factoring Agreements, including obtaining the necessary approval from the Independent Shareholders.

LETTER FROM THE BOARD

If the above condition is not fulfilled by 31 January 2020 (or such other time as Fullin Factoring and Shanghai Kuaijie or Fullin Factoring and Shanghai Kuaiyi Mingshang may otherwise agree in writing), the Factoring Agreements will terminate.

Financing term:

The initial financing term of each of the Factoring Agreements will be a term of two years (or of a term until the date on which the factoring principal amount and factoring expenses are fully settled, whichever is the later but in any event will not be later than the second anniversary of the Effective Date), commencing from the Effective Date.

Transfer of accounts receivable:

Subject to the terms and conditions of the Factoring Agreements, the accounts receivable of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang as referred to in the underlying transaction documents entered into between the parties pursuant to the Factoring Agreements will be assigned to Fullin Factoring.

The accounts receivable to be assigned under the Factoring Agreement I are rental receivable by Shanghai Kuaijie in relation to its properties inside an office building located in Shanghai, the PRC under 102 lease agreements with a total rental receivables of approximately RMB19,085,916 over the period from November 2019 to February 2022.

The accounts receivable to be assigned under the Factoring Agreement II are rental receivable by Shanghai Kuaiyi Mingshang in relation to its properties inside two office buildings located in Shanghai, the PRC under 53 lease agreements with a total rental receivables of approximately RMB12,561,240 over the period from December 2019 to September 2022.

LETTER FROM THE BOARD

The table below summarised (i) the expected amount of rental receivable under the Factoring Agreement I to be received by Shanghai Kuaijie from the 102 lease agreements (the “**Expected Rent I**”) and the expected amount of repayment of factoring interest and principal by Shanghai Kuaijie to Fullin Factoring (the “**Factoring Repayment I**”); and (ii) the expected amount of rental receivable under the Factoring Agreement II to be received by Shanghai Kuaiyi Mingshang from the 53 lease agreements (the “**Expected Rent II**”) and the expected amount of repayment of factoring interest and principal by Shanghai Kuaiyi Mingshang to Fullin Factoring (the “**Factoring Repayment II**”) for the years ending 31 December 2019, 2020, 2021 and 2022, respectively

	For the years ending 31 December				Total
	2019	2020	2021	2022	
	<i>(RMB million)</i>				
Expected Rent I	3.7 ^{Note 1}	12.1	3.2	0.1 ^{Note 3}	19.1
Factoring					
Repayment I	0.5	8.5	8.5	–	17.5
Expected Rent II	1.6 ^{Note 2}	7.8	2.4	0.8 ^{Note 4}	12.6
Factoring					
Repayment II	0.3	5.1	6.4	–	11.8

Notes:

1. Such amount covers the period from 1 November 2019 to 31 December 2019.
2. Such amount covers the period from 1 December 2019 to 31 December 2019.
3. Such amount covers the period from 1 January 2022 to 28 February 2022.
4. Such amount covers the period from 1 January 2022 to 14 September 2022.

LETTER FROM THE BOARD

Factoring principal amount:

RMB15,000,000 (equivalent to approximately HK\$16,739,203) for the Factoring Agreement I, which was determined after arm's length negotiations between Fullin Factoring and Shanghai Kuaijie 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 Shanghai Kuaijie after conducting due diligence on its office building leasing project; and (iii) the repayment capability of Shanghai Kuaijie after conducting credit assessment on the relevant debtors and analysis on the shareholders' background, financial status, credit history, business operation, management, profitability, cashflow and future prospects of Shanghai Kuaijie based on onsite inspection, public information, investigation and credit assessment reports issued by the People's Bank of China before entering into the Factoring Agreement I.

The specific factoring principal amount for the Factoring Agreement I was ultimately determined based on the findings that (i) the business performance and business development of Shanghai Kuaijie bears a stable trend with a positive prospect; (ii) the stable operating cash inflow of Shanghai Kuaijie will guarantee its repayment of the factoring principal amount, factoring interest and management fee under the Factoring Agreement I; (iii) the underlying accounts receivable of the Factoring Agreement I are rental receivable from 102 lessees with a total value of approximately RMB19,085,916 over the period from November 2019 to February 2022, which will be adequate to cover Shanghai Kuaijie's repayment of the factoring principal amount, factoring interest and management fee under the Factoring Agreement I; and (iv) the repayment capability of the relevant guarantors and the estimated value of the pledged assets under the Factoring Agreement I are also adequate to fulfill the relevant repayment liabilities of Shanghai Kuaijie in the event of default by Shanghai Kuaijie.

LETTER FROM THE BOARD

RMB10,000,000 (equivalent to approximately HK\$11,159,469) for the Factoring Agreement II, which was determined after arm's length negotiations between Fullin Factoring and Shanghai Kuaiyi Mingshang 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 II; (ii) the funding need of Shanghai Kuaiyi Mingshang after conducting due diligence on its long-term apartments leasing project; and (iii) the repayment capability of Shanghai Kuaiyi Mingshang after conducting credit assessment on the relevant debtors and analysis on the shareholders' background, financial status, credit history, business operation, management, profitability, cashflow and future prospects of Shanghai Kuaiyi Mingshang based on onsite inspection, public information, investigation and credit assessment reports issued by the People's Bank of China before entering into the Factoring Agreement II.

The specific factoring principal amount for the Factoring Agreement II was ultimately determined based on the findings that (i) the business performance and business development of Shanghai Kuaiyi Mingshang bears a stable trend with a positive prospect; (ii) the stable operating cash inflow of Shanghai Kuaiyi Mingshang will guarantee its repayment of the factoring principal amount, factoring interest and management fee under the Factoring Agreement II; (iii) the underlying accounts receivable of the Factoring Agreement II are rental receivable from 53 lessees with a total value of approximately RMB12,561,240 over the period from December 2019 to September 2022, which will be adequate to cover Shanghai Kuaiyi Mingshang's repayment of the factoring principal amount, factoring interest and management fee under the Factoring Agreement II; and (iv) the repayment capability of the relevant guarantors and the estimated value of the pledged assets under the Factoring Agreement II are also adequate to fulfill the relevant repayment liabilities of Shanghai Kuaiyi Mingshang in the event of default by Shanghai Kuaiyi Mingshang.

LETTER FROM THE BOARD

The provision of factoring principal amount to Shanghai Kuaijie and Shanghai Kuaiyi Mingshang under the Factoring Agreements will be financed by the 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 Agreements and the fulfilment of condition precedent as set out in the paragraph headed “Condition Precedent” above, Fullin Factoring will pay the factoring principal amount under the Factoring Agreement I and the Factoring Agreement II to Shanghai Kuaijie and Shanghai Kuaiyi Mingshang, respectively, which will represent the accounts receivable being assigned to Fullin Factoring times the factor ratio, in accordance with the terms of such agreements.

Factor ratio:

The factor ratio, which represents the ratio of the maximum factoring principal amount to the accounts receivable being assigned under each of the Factoring Agreements, is no more than 80%.

Specifically, the factoring principal amount for the Factoring Agreement I and the Factoring Agreement II is RMB15,000,000 and RMB10,000,000, respectively, and the aggregate amount of the accounts receivables to be assigned under the Factoring Agreement I and the Factoring Agreement II is RMB19,085,916 and RMB12,561,240, respectively, thus the factor ratio of the Factoring Agreement I and the Factoring Agreement II is approximately 78.59% and 79.61%, respectively.

Such factor ratios falls within the range of factor ratios of similar factoring agreements that the Group entered into with its other customers calculated on a similar basis from 1 January 2018 to 31 July 2019, which ranged from 20% to 90% of the net value of the accounts receivables 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 will 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 13% per annum

C = the actual number of days of the advancement

The factoring interest was determined after arm's length negotiations between Fullin Factoring and Shanghai Kuaijie and between Fullin Factoring and Shanghai Kuaiyi Mingshang after taking into account (i) the prevailing interest rate for factoring transactions in the PRC factoring industry; (ii) the average factoring interest rate charged by Fullin Factoring to its factoring customers under all its factoring transactions from 1 January 2018 to 30 June 2019 (i.e., approximately 12.78%); (iii) the risk associated with the factoring activities under the Factoring Agreements, including but not limited to, the credit assessment of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang based on their business, financial position and repayment capability reflected by the due diligence investigation conducted by Fullin Factoring, the value of the underlying accounts receivable, the estimated value of the relevant pledged assets, and the repayment capability of the relevant guarantors; and (iv) the cost of funding of Fullin Factoring, being the interest rates of all the outstanding bank loans of Fullin Factoring as at 30 June 2019 which ranged from 3.80% to 6.09%.

The respective factoring interest under the Factoring Agreement I and the Factoring Agreement II will be payable by Shanghai Kuaijie and Shanghai Kuaiyi Mingshang to Fullin Factoring on a monthly basis pursuant to the terms of the Factoring Agreement I and the Factoring Agreement II, respectively.

LETTER FROM THE BOARD

Management fee:

In consideration of the accounts receivable factoring services provided by Fullin Factoring, Shanghai Kuaijie will pay a non-refundable management fee in the amount of RMB150,000 (inclusive of VAT) (equivalent to approximately HK\$167,392) to Fullin Factoring on the Effective Date, which was equivalent to 1% of the factoring principal amount provided by Fullin Factoring to Shanghai Kuaijie under the Factoring Agreement I. On the date of the second anniversary of the Effective Date, Shanghai Kuaijie will pay another non-refundable management fee to Fullin Factoring in the amount equivalent to 1% of the outstanding balance of the factoring principal amount payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I as at the same date, the maximum amount of which is RMB115,000 (inclusive of VAT) (equivalent to approximately HK\$128,334).

In consideration of the accounts receivable factoring services provided by Fullin Factoring, Shanghai Kuaiyi Mingshang will pay a non-refundable management fee in the amount of RMB100,000 (inclusive of VAT) (equivalent to approximately HK\$111,595) to Fullin Factoring on the Effective Date, which was equivalent to 1% of the factoring principal amount provided by Fullin Factoring to Shanghai Kuaiyi Mingshang under the Factoring Agreement II. On the date of the second anniversary of the Effective Date, Shanghai Kuaiyi Mingshang will pay another non-refundable management fee to Fullin Factoring in the amount equivalent to 1% of the outstanding balance of the factoring principal amount payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II as at the same date, the maximum amount of which is RMB70,000 (inclusive of VAT) (equivalent to approximately HK\$78,116).

LETTER FROM THE BOARD

Repayment of the factoring principal amount:

For the Factoring Agreement I, the factoring principal amount is repayable by instalments semi-annually in accordance with the schedule below.

	Payment due date	RMB
1.	30 March 2020	3,500,000
2.	30 September 2020	3,500,000
3.	30 March 2021	4,000,000
4.	30 September 2021	4,000,000
	Total	15,000,000

For the Factoring Agreement II, the factoring principal amount is repayable by four installments per annum in accordance with the schedule below.

	Payment due date	RMB
1.	30 March 2020	1,000,000
2.	30 April 2020	1,000,000
3.	30 September 2020	1,000,000
4.	30 October 2020	1,000,000
5.	30 March 2021	1,500,000
6.	30 April 2021	1,500,000
7.	30 September 2021	1,500,000
8.	30 October 2021	1,500,000
	Total	10,000,000

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 Shanghai Kuaijie and Shanghai Kuaiyi Mingshang pursuant to the terms of the Factoring Agreements.

LETTER FROM THE BOARD

Repurchase:

Fullin Factoring will be entitled to demand Shanghai Kuaijie or Shanghai Kuaiyi Mingshang 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) Shanghai Kuaijie or Shanghai Kuaiyi Mingshang 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 Shanghai Kuaijie or Shanghai Kuaiyi Mingshang as a result of the credit risk of the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang;
- (iii) Shanghai Kuaijie or Shanghai Kuaiyi Mingshang waiving or offsetting the payment of the accounts receivable transferred to Fullin Factoring without giving notice to Fullin Factoring;
- (iv) the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang being merged, divided, reorganised, the assets of the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang being transferred, the fund of the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang being misappropriated, the business operation of the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang being ceased or suspended, etc, which has adverse effect to the repayment of the accounts receivable;
- (v) the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang being involved or possibly involved in any major economic dispute, litigation, arbitration;
- (vi) the debtor(s) of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang selling, leasing, transferring or otherwise disposing its major assets, or the entire or substantial part of its assets; and

LETTER FROM THE BOARD

(vii) such other circumstances which Fullin Factoring deems appropriate for Shanghai Kuaijie or Shanghai Kuaiyi Mingshang to repurchase the outstanding amount of the accounts receivable.

Mechanism of default compensation:

If there is an event of default on the terms of the Factoring Agreement I by Shanghai Kuaijie or the terms of the Factoring Agreement II by Shanghai Kuaiyi Mingshang which results in non-payment of the factoring principal amount, the factoring interest or management fee, (i) Fullin Factoring's asset department will issue a notice of payment due to Shanghai Kuaijie or Shanghai Kuaiyi Mingshang and re-evaluate their credit risks upon onsite inspection and communication on the specific reasons that lead to such default; (ii) Fullin Factoring's finance department will stop any payment to be made from the supervising accounts of Shanghai Kuaijie or Shanghai Kuaiyi Mingshang which are established for supervising purpose when entering into the Factoring Agreements; (iii) Fullin Factoring will also notify the debtors of the relevant accounts receivable assigned to Fullin Factoring under the Factoring Agreements that payment of such accounts receivable shall be made directly to Fullin Factoring; (iv) a letter from Fullin Factoring's lawyer will be issued to Shanghai Kuaijie or Shanghai Kuaiyi Mingshang if no satisfactory time and schedule for repayment can be reached between the parties after onsite communication and negotiation; and (v) if all steps above fail to resolve the default situation, Fullin Factoring will file a claim in court against Shanghai Kuaijie or Shanghai Kuaiyi Mingshang, requesting payment of the factoring expenses (i.e, all expenses incurred for such factoring transactions including but not limited to factoring interest, penalty for delayed payment of factoring principal and factoring interest, and other expenses such as lawyers' fees), the default compensation (equivalent to 30% of the total factoring principal amount) and the outstanding factoring principal amount. Fullin Factoring may also resort to (i) the respective guarantors for all debt payable by Shanghai Kuaijie and Shanghai Kuaiyi Mingshang under the Factoring Agreement I and the Factoring Agreement II, respectively; and (ii) the respective pledgors for the outstanding factoring principal amount payable by Shanghai Kuaijie and Shanghai Kuaiyi Mingshang under the Factoring Agreement I and the Factoring Agreement II, respectively.

LETTER FROM THE BOARD

Guarantee:

Each of Beijing Kuaiyi Tiandi, Shanghai Kuaiyi Mingshang, Mr. Wang Fuhan (王輔哈), a director and the legal representative of Shanghai Kuaijie, and his spouse, Ms. Ying Wen (應文), entered into a guarantee in favour of Fullin Factoring in respect of all debt payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I, respectively.

Each of Shanghai Weiwo Investment Management Co., Ltd. (上海偉沃投資管理有限公司), Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司), Shanghai Lanzi Network Science and Technology Co., Ltd. (上海嵐孜網路科技有限公司) and Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), all wholly-owned subsidiaries of Shanghai Kuaiyi Mingshang, and Ms. Shi Yan (施豔), a substantial shareholder, a director and the legal representative of Shanghai Kuaiyi Mingshang, Mr. Wang Fuhan (王輔哈), a substantial shareholder and a director of Shanghai Kuaiyi Mingshang, Ms. Ying Wen (應文), the spouse of Mr. Wang Fuhan, Mr. Wang Jianfeng (王建峰), a substantial shareholder and a director of Shanghai Kuaiyi Mingshang and his spouse, Ms. Xia Wei (夏薇), entered into a guarantee in favour of Fullin Factoring in respect of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II, respectively.

Security:

As security for the total factoring principal amount payable by Shanghai Kuajie to Fullin Factoring under the Factoring Agreement I:

- (i) Beijing Dayuan Tiandi entered into a share pledge agreement with Fullin Factoring pursuant to which Beijing Dayuan Tiandi agreed to pledge all 49% equity interest it held in Beijing Kuaiyi Tiandi to Fullin Factoring (the net assets of Beijing Kuaiyi Tiandi as at 31 May 2019 amounted to approximately RMB49.9 million in accordance with the unaudited financial statements of Beijing Kuaiyi Tiandi for the five months ended 31 May 2019); and

LETTER FROM THE BOARD

- (ii) Shanghai Kuajie entered into a pledge agreement with Fullin Factoring pursuant to which Shanghai Kuajie agreed to pledge the rental income from all existing and new tenants of a property located in Shanghai, the PRC for the following three years commencing from the Effective Date to Fullin Factoring (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuajie to Fullin Factoring pursuant to the terms of the Factoring Agreement I), and the maximum amount of such rental income is expected to reach approximately RMB74.9 million (equivalent to approximately HK\$83.6 million).

As security for the total factoring principal amount payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II, Shanghai Kuaiyi Mingshang entered into a pledge agreement with Fullin Factoring pursuant to which Shanghai Kuaiyi Mingshang agreed to pledge the rental income from all existing and new tenants of a property located in Shanghai, the PRC for the following three years commencing from the Effective Date to Fullin Factoring (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuaiyi Mingshang to Fullin Factoring pursuant to the terms of the Factoring Agreement II), and the maximum amount of such rental income is expected to reach approximately RMB82.3 million (equivalent to approximately HK\$91.8 million).

LETTER FROM THE BOARD

THE PROPOSED ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE FACTORING AGREEMENTS

By taking into account the maximum outstanding factoring principal amount payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I and by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II for each of the three years ending 31 December 2021, the Company estimates that the annual caps for the continuing connected transactions contemplated under the Factoring Agreements on an aggregated basis for the same periods are as follows:

For the year ending 31 December	<i>RMB (Approx.)</i>	<i>(Equivalent amount of HK\$) (Approx.)</i>
2019	25,000,000	27,898,672
2020	25,000,000	27,898,672
2021	14,000,000	15,623,256

The corresponding maximum factoring interest amount and management fee amount (all exclusive of VAT) payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I and by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II on an aggregated basis for each of the three years ending 31 December 2021 are as follows:

	For the year ending 31 December		
	2019	2020	2021
	<i>RMB (Approx.)</i>	<i>RMB (Approx.)</i>	<i>RMB (Approx.)</i>
Factoring interest	665,000 <i>(HK\$742,105)</i>	2,494,000 <i>(HK\$2,783,172)</i>	946,000 <i>(HK\$1,055,686)</i>
Management fee	67,000 <i>(HK\$74,768)</i>	250,000 <i>(HK\$278,987)</i>	95,000 <i>(HK\$106,015)</i>
Total income	<u>732,000</u> <i>(HK\$816,873)</i>	<u>2,744,000</u> <i>(HK\$3,062,158)</i>	<u>1,041,000</u> <i>(HK\$1,161,701)</i>

Based on the foregoing and after considering the principal repayment schedule under the Factoring Agreements, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the proposed annual caps for the continuing connected transactions contemplated under the Factoring Agreements on an aggregated basis are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 Factoring Agreements to ensure that the terms of such agreements will be complied with and the proposed annual caps will not be exceeded. The asset management department will send payment reminders to both Shanghai Kuaijie and Shanghai Kuaiyi Mingshang on a monthly basis and prepare monthly reports for such payments to senior management; and 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 proposed annual caps will not be exceeded. The Company will also engage its auditors to conduct an annual review and report on its continuing connected transactions.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE FACTORING AGREEMENTS

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 Agreements is in the ordinary and usual course of business of Fullin Factoring. For the Factoring Agreement I, it will generate an aggregate income (exclusive of VAT) of approximately RMB2,673,022 (equivalent to approximately HK\$2,982,951), being the aggregate of the factoring interest (exclusive of VAT) of approximately RMB2,423,022 (equivalent to approximately HK\$2,703,964) over the term of the Factoring Agreement I and the management fee (exclusive of VAT) of approximately RMB250,000 (equivalent to approximately HK\$278,987). For the Factoring Agreement II, it will generate an aggregate income (exclusive of VAT) of approximately RMB1,840,736 (equivalent to approximately HK\$2,054,164), being the aggregate of the factoring interest (exclusive of VAT) of approximately RMB1,680,359 (equivalent to approximately HK\$1,875,191) over the term of the Factoring Agreement II and the management fee (exclusive of VAT) of approximately RMB160,377 (equivalent to approximately HK\$178,972).

The terms of the Factoring Agreements, including the factoring principal amount, the interest rate and the proposed annual caps therefor, were agreed between Fullin Factoring and Shanghai Kuaijie and between Fullin Factoring and Shanghai Kuaiyi Mingshang after arm's length negotiations between the parties and are on normal commercial terms.

LETTER FROM THE BOARD

The Directors have also considered the disadvantages or risks in association with the Factoring Agreements 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 Shanghai Kuajie under the Factoring Agreement I and to Shanghai Kuaiyi Mingshang under the Factoring Agreement II which shall be financed by the 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 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 Agreements is not significant.

Credit risks

By acquiring the accounts receivable of Shanghai Kuajie and Shanghai Kuaiyi Mingshang, the Company effectively assumes credit risks originally exposed to Shanghai Kuajie and Shanghai Kuaiyi Mingshang.

In order to manage such credit risks, the Group has conducted due diligence and credit assessment on the relevant debtors of Shanghai Kuajie and Shanghai Kuaiyi Mingshang before entering into the Factoring Agreements. Each of Beijing Kuaiyi Tiandi, Shanghai Kuaiyi Mingshang, Mr. Wang Fuhan (王輔哈), a director and the legal representative of Shanghai Kuaijie, and his spouse, Ms. Ying Wen (應文), entered into a guarantee in favour of Fullin Factoring in respect of all debt payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I, respectively. Each of Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司), Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司), Shanghai Lanzi Network Science and Technology Co., Ltd. (上海嵐孜網路科技有限公司) and Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), all wholly-owned subsidiaries of Shanghai Kuaiyi Mingshang, and Ms. Shi Yan (施豔), a substantial shareholder, a director and the legal representative of Shanghai Kuaiyi Mingshang, Mr. Wang Fuhan (王輔哈), a substantial shareholder and a director of Shanghai Kuaiyi Mingshang, Ms. Ying Wen (應文), the spouse of Mr. Wang Fuhan, Mr. Wang Jianfeng (王建峰), a substantial shareholder and a director of Shanghai Kuaiyi Mingshang and his spouse, Ms. Xia Wei (夏薇), entered into a guarantee in favour of Fullin Factoring in respect of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II, respectively.

LETTER FROM THE BOARD

Moreover, as security for the total factoring principal amount payable by Shanghai Kuajie to Fullin Factoring under the Factoring Agreement I, (i) Beijing Dayuan Tiandi entered into a share pledge agreement with Fullin Factoring pursuant to which Beijing Dayuan Tiandi agreed to pledge all 49% equity interest it held in Beijing Kuaiyi Tiandi to Fullin Factoring; and (ii) Shanghai Kuajie entered into a pledge agreement with Fullin Factoring pursuant to which Shanghai Kuajie agreed to pledge the rental income from all existing and new tenants of a property located in Shanghai, the PRC for the following three years commencing from the Effective Date to Fullin Factoring (excluding the rental income from existing tenants where the related accounts receivables were transferred from Shanghai Kuajie to Fullin Factoring pursuant to the terms of the Factoring Agreement I). As security for the total factoring principal amount payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II, Shanghai Kuaiyi Mingshang entered into a pledge agreement with Fullin Factoring pursuant to which Shanghai Kuaiyi Mingshang agreed to pledge the rental income from all existing and new tenants of a property located in Shanghai, the PRC for the following three years commencing from the Effective Date to Fullin Factoring (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuaiyi Mingshang to Fullin Factoring pursuant to the terms of the Factoring Agreement II).

In addition, Fullin Factoring will be entitled to demand Shanghai Kuajie or Shanghai Kuaiyi Mingshang 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 Shanghai Kuajie or Shanghai Kuaiyi Mingshang. Therefore, the risk of the Group's exposure to bad debts under the Factoring Agreements is not significant.

Balancing the disadvantages or risks in association with the Factoring Agreements 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 Agreements and the proposed annual caps of the Factoring Agreements on an aggregated basis are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company and its subsidiaries, including Fullin Factoring, are principally engaged in the provision of finance leasing, factoring, advisory services, customer referral services and the supply of medical equipment in the PRC.

LETTER FROM THE BOARD

INFORMATION ON SHANGHAI KUAIJIE, SHANGHAI KUAIYI MINGSHANG AND DAYUAN TIANDI

Shanghai Kuaijie is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi, a company established in the PRC with limited liability which is owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi, and 51% by Shanghai Kuaiyi Mingshang. Shanghai Kuaijie is principally engaged in investment management, property management, corporate governance, hotel management and office equipment leasing.

Shanghai Kuaiyi Mingshang is a company established in the PRC with limited liability, and is listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC (stock code: 831423). It is a joint venture partner of Beijing Kuaiyi Tiandi, a company established in the PRC with limited liability which is owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi, and 51% by Shanghai Kuaiyi Mingshang. Shanghai Kuaiyi Mingshang is principally engaged in investment management, property management, corporate governance, hotel management and office equipment leasing.

Dayuan Tiandi is a company established in the PRC with limited liability and is principally engaged in real estate development. Dayuan Tiandi was owned as to 55% by Mr. Zhao Dehua (趙得驊) and 45% by Mr. Gong Liang (貢亮).

IMPLICATIONS UNDER THE GEM LISTING RULES

Each of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang is an associate of Dayuan Tiandi, a substantial shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Factoring Agreements 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 profit ratio) as defined in the GEM Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Factoring Agreements on an aggregated basis is more than 5%, 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.

As one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the transactions contemplated under the Factoring Agreements on an aggregated basis is more than 5% but are less than 25%, such transactions also constitute discloseable transactions for the Company under Chapter 19 of the GEM Listing Rules and are subject to the notification and announcement requirements under the GEM Listing Rules.

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

LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Factoring Agreements and the proposed annual caps. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

Set out on pages 60 to 62 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 the Latest Practicable Date, will be required to abstain from voting at the EGM on the resolution in relation to the Factoring Agreements, the transactions contemplated thereunder and the proposed 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 54, 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.

If you intend to attend the EGM or any adjournment thereof in person or by proxy, you are required to complete and return the enclosed reply slip to the Company's Hong Kong H Share registrar, Tricor Investor Services Limited (for H Share Shareholders) on or before Friday, 4 October 2019.

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 Tuesday, 24 September 2019 to Thursday, 24 October 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 September 2019.

Shareholders whose names appear on the register of members of H Shares of the Company after the close of business on Monday, 23 September 2019 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendations to the Independent Shareholders on the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps; (ii) the letter from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders as set out on pages 29 to 49 of this circular which contains, amongst other matters, its opinions in relation to the Factoring Agreements, the transactions contemplated thereunder and the proposed 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 Adviser) consider that the Factoring Agreements, the transactions contemplated thereunder and the proposed 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 Agreements, the transactions contemplated thereunder and the proposed annual caps.

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)

9 September 2019

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FACTORING AGREEMENTS
AND
(2) THE PROPOSED ANNUAL CAPS**

We refer to the circular of the Company to the Shareholders dated 9 September 2019 (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 Agreements, the transactions contemplated thereunder and the proposed annual caps, are in the interests of the Company and the Shareholders as a whole and the terms of the Factoring Agreements 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 Agreements, the transactions contemplated thereunder and the proposed 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 29 to 49 of the Circular.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 26 of the Circular, which contains, among other things, details of the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps, respectively, and the “Letter from the Independent Financial Adviser” set out on pages 29 to 49 of the Circular, which contains the advice from the Independent Financial Adviser in respect of the Factoring Agreements, the transactions contemplated thereunder and the proposed annual caps, respectively.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have discussed with the management of the Company the reasons for entering into the Factoring Agreements, the basis upon which the terms of the Factoring Agreements have been determined and the major factors taken into account by the Company in arriving at the proposed 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 Agreements, the transactions contemplated thereunder and the proposed annual caps as set out in the “Letter from the Independent Financial Adviser” on pages 29 to 49 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 Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which and the proposed 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 Agreements, the transactions contemplated thereunder and the proposed 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 Agreements and the proposed annual caps.



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

9 September 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

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 Factoring Agreements the transactions contemplated thereunder and the proposed annual caps, details of which are set out in the Letter from the Board contained in this Circular of the Company dated 9 September 2019 (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 August 2019, Fullin Factoring, a wholly-owned subsidiary of the Company, entered into the Factoring Agreement I with Shanghai Kuaijie, pursuant to which Fullin Factoring agreed to provide accounts receivable factoring services for Shanghai Kuaijie with a factoring facility principal amount of RMB15,000,000 (equivalent to approximately HK\$16,739,203) for a term of two years commencing from the Effective Date.

On 9 August 2019, Fullin Factoring also entered into the Factoring Agreement II with Shanghai Kuaiyi Mingshang, pursuant to which Fullin Factoring agreed to provide accounts receivable factoring services for Shanghai Kuaiyi Mingshang with a factoring facility principal amount of RMB10,000,000 (equivalent to approximately HK\$11,159,469) for a term of two years commencing from the Effective Date.

Each of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang is an associate of Dayuan Tiandi, a substantial shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Factoring Agreements constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (other than the profit ratio) as defined in the GEM Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Factoring Agreements on an aggregated basis is more than 5%, 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.

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 Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Factoring Agreements and the proposed 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 to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company in respect of certain new continuing connected transactions in relation to a factoring agreement and revision of annual caps (details of which are set out in the Circular of the Company dated 3 November 2017) (the "**Previous Engagement**"). Under the Previous Engagement, we were required to express our opinion on and give recommendation to the Independent Board Committee and/or the Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relation would not affect our independence. We are independent of the Company pursuant to Rule 17.96 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

1. Background information of the Group

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

The table below presents the major information extracted from the consolidated statement of profit or loss and the consolidated statement of financial position of the Group for the years ended 31 December 2017 and 2018 and for the six months ended 30 June 2018 and 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended		For the six months ended	
	31 December		30 June	
	2017	2018	2018	2019
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Finance lease income	71,123	86,391	41,881	41,338
Factoring income	6,816	20,969	8,718	12,161
Others	44,800	48,169	13,218	25,092
Total revenue	122,739	155,529	63,817	78,591
Gross profit	78,377	102,006	47,592	56,166
Gross profit margin (%)	63.9%	65.6%	74.6%	71.5%
Profit attributable to owners of the Company	20,689	40,203	23,365	25,853
Cash and cash equivalents	35,007	72,678	37,833	84,030
Net current (liabilities)/assets	(25,334)	186,941	(7,869)	199,811
Net assets	424,243	455,898	439,060	463,784

Source: The annual report of the Company for the year ended 31 December 2018 and the interim reports of the Company for the six months ended 30 June 2018 and 2019

The finance lease income increased from approximately RMB71.1 million for the year ended 31 December 2017 to approximately RMB86.4 million for the year ended 31 December 2018. 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 2017 and 2018. The overall growth in the finance lease income was principally driven by the Group's continuous expansion of its customer pool into small and medium-sized businesses engaging in the supply of medical equipment, electronic equipment, machinery processing services and commercial transportation services. The finance lease income slightly decreased from approximately RMB41.9 million for the six months ended 30 June 2018 to approximately RMB41.3 million for the six months ended 30 June 2019.

The factoring income accounted for approximately 5.6% and 13.5% of the total revenue for the years ended 31 December 2017 and 2018, respectively. The factoring income amounted to approximately RMB6.8 million for the year ended 31 December 2017 and significantly increased to approximately RMB21.0 million for the year ended 31 December 2018. The factoring income increased from approximately RMB8.7 million for the six months ended 30 June 2018 to approximately RMB12.2 million for the six months ended 30 June 2019. The increase in the factoring income was mainly due to the increasing demand of factoring services from manufacturing industries which is the key industry where the Group's major factoring customers are engaged in.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The profit attributable to owners of the Company increased by approximately RMB19.5 million from approximately RMB20.7 million for the year ended 31 December 2017 to approximately RMB40.2 million for the year ended 31 December 2018, primarily as a result of the increase in the gross profit by approximately RMB23.6 million.

The profit attributable to owners of the Company increased by approximately RMB2.5 million from approximately RMB23.4 million for the six months ended 30 June 2018 to approximately RMB25.9 million for the six months ended 30 June 2019 primarily as a result of (i) a higher gross profit recorded in the six months ended 30 June 2019; and (ii) the one-off reversal of impairment loss of approximately RMB1.15 million recorded during the six months ended 30 June 2019.

According to the 2019 interim report of the Company, the cash and cash equivalents of the Group increased by approximately RMB11.3 million from approximately RMB72.7 million as at 31 December 2018 to approximately RMB84.0 million as at 30 June 2019 as a result of the net cash generated from operating activities of approximately RMB61.9 million which is partly offset by (i) the cash used in investing activities by approximately RMB19.3 million; and (ii) the cash used in financing activities by approximately RMB31.3 million. Meanwhile, the net current assets of the Group increased by approximately RMB12.9 million from approximately RMB186.9 million as at 31 December 2018 to approximately RMB199.8 million as at 30 June 2019 as a result of (i) the aforementioned increase of cash and cash equivalents and (ii) decrease of amount due to an intermediate holding company by approximately RMB46.2 million.

2. Background information of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang

Shanghai Kuaijie is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi, a company established in the PRC with limited liability. Beijing Kuaiyi Tiandi is owned as to 49% by Beijing Dayuan Tiandi, which is a 56% owned subsidiary of Dayuan Tiandi, and 51% by Shanghai Kuaiyi Mingshang. Shanghai Kuaijie is principally engaged in investment management, property management, hotel management and office equipment leasing. Based on the management account of Shanghai Kuaijie at 31 May 2019, Shanghai Kuaijie recorded net liabilities of approximately RMB3.0 million. We understand from the management of the Company that Shanghai Kuaijie is financially supported by its parent company, Beijing Kuaiyi Tiandi.

Shanghai Kuaiyi Mingshang is a company established in the PRC with limited liability, and is listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC (stock code: 831423). It is a joint venture partner of Beijing Kuaiyi Tiandi, which is a company established in the PRC with limited liability. Shanghai Kuaiyi Mingshang is principally engaged in investment management, property management, hotel management and office equipment leasing. Shanghai Kuaiyi Mingshang is currently operating six office buildings located in Shanghai which are renovated and divided into small-size offices for rental purpose. Based on the management account of Shanghai Kuaiyi Mingshang, it recorded net assets of approximately RMB44.5 million as at 31 May 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Background information of Dayuan Tiandi

Dayuan Tiandi is a company established in the PRC with limited liability on 19 December 2001 and is principally engaged in real estate development. 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 the total number of issued Shares as at the Latest Practicable Date.

4. New Continuing Connected Transactions in relation to the Factoring Agreements

(i) Principal terms of the Factoring Agreements

Below set out the extract of the principal terms of the Factoring Agreements, for details, please refer to the Letter from the Board of this Circular:

Parties:	Factoring Agreement I: Fullin Factoring (as factor) Shanghai Kuaijie (as seller)
	Factoring Agreement II: Fullin Factoring (as factor) Shanghai Kuaiyi Mingshang (as seller)
Type of facility:	One-off and with recourse
Financing term:	Two years commencing from the Effective Date.
Factoring principal:	Factoring Agreement I: RMB15,000,000 (equivalent to approximately HK\$16,739,203)
	Factoring Agreement II: RMB10,000,000 (equivalent to approximately HK\$11,159,469)
Factor ratio ^{Note:}	No more than 80%
	<i>Note:</i> The factor ratio represents the ratio of the maximum factoring principal amount to the accounts receivable being assigned under the factoring agreement.
Factoring interest:	13% per annum and payable on a monthly basis

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

Management fee:

Factoring Agreement I:

1st payment: RMB150,000 (inclusive of VAT)/
RMB141,509 (exclusive of VAT)
(one-off and non-refundable)

2nd payment: a maximum amount of RMB115,000
(inclusive of VAT)/RMB108,491 (exclusive of VAT)
(one-off and non-refundable)

Factoring Agreement II:

1st payment: RMB100,000 (inclusive of VAT)/
RMB94,340 (exclusive of VAT)
(one-off and non-refundable)

2nd payment: a maximum amount of RMB70,000
(inclusive of VAT)/RMB66,038 (exclusive of VAT)
(one-off and non-refundable)

**Repayment of the
factoring principal
amount:**

For the Factoring Agreement I, the factoring principal is repayable semi-annually in accordance with the below schedule.

	Payment due date	RMB
1.	30 March 2020	3,500,000
2.	30 September 2020	3,500,000
3.	30 March 2021	4,000,000
4.	30 September 2021	<u>4,000,000</u>
	Total	<u><u>15,000,000</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
--

For the Factoring Agreement II, the factoring principal is payable by four instalments per annum as stated in below schedule.

Payment due date	RMB
1. 30 March 2020	1,000,000
2. 30 April 2020	1,000,000
3. 30 September 2020	1,000,000
4. 30 October 2020	1,000,000
5. 30 March 2021	1,500,000
6. 30 April 2021	1,500,000
7. 30 September 2021	1,500,000
8. 30 October 2021	<u>1,500,000</u>
Total	<u><u>10,000,000</u></u>

Underlying assets:

Factoring Agreement I:

The accounts receivable in relation to 102 lease agreements which are related to shops and offices of a 16-storey office building located in Minhang District, Shanghai (the “**Rental Property I**”), with an expected accounts receivable of approximately RMB19.1 million over the period from November 2019 to February 2022. Rental Property I has approximately 130 offices with leasable area of approximately 13,124 square meters.

Factoring Agreement II:

The accounts receivable in relation to 53 lease agreements which are related to shops and offices of a 8-storey office building located in Jinan District and a 16-storey office building in Xuhui District, Shanghai (collectively the “**Rental Property II**”), with an expected total accounts receivable of approximately RMB12.6 million over the period from December 2019 to September 2022. Rental Property II has approximately 199 offices with leasable area of approximately 14,586 square meter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The underlying assets under the Factoring Agreement I comprise of rental receivable in relation to 102 lease agreements of the Rental Property I of approximately RMB19.1 million over a period from November 2019 to February 2022. We have obtained and reviewed the relevant lease agreements and noted that all of these lease agreements were entered into between Shanghai Kuaijie and the tenants. Based on the due diligence review performed by the Company, up to 12 June 2019, no long overdue rent was identified. We have sample-checked to the settlement record of certain lease agreements during the period from May 2019 to July 2019, neither default payment nor long overdue rent was noted. According to the risk assessment report dated 12 June 2019 prepared by the risk management department of the Company in relation to the due diligence and risk assessment for the Factoring Agreement I (the “**Assessment Report I**”), (i) the tenants of those 102 lease agreements settled the rent on time; (ii) among the 102 lease agreements, tenants are diversified in different business sectors, of which approximately 25% of the tenants are engaged in cultural business, approximately 20% of them engaged in trading business, approximately 20% of them are engaged in technology-related business and approximately 35% of them are engaged in other business sectors; and (iii) the current occupancy rate of the Rental Property I is approximately 75% in June 2019. Considering that (i) the value of the expected accounts receivable of the underlying asset of approximately RMB19.1 million is higher than the factoring principal of RMB15.0 million for the Factoring Agreement I; (ii) the timely payment record of the tenants of those 102 lease agreements; (iii) the diversified business risk exposure of the tenants; and (iv) the reasonable occupancy rate of the Rental Property I, we are of the opinion of that the value of the factoring principal is sufficiently secured by the value of the underlying assets under the Factoring Agreement I.

The underlying assets under the Factoring Agreement II comprise of rental receivable in relation to 53 lease agreements of the Rental Property II, of approximately RMB12.6 million over a period from December 2019 to September 2022. We have obtained and reviewed the relevant lease agreements and noted that all leased agreements were entered into between Shanghai Kuaiyi Mingshang and the tenants. Based on the due diligence review performed by the Company, up to 8 July 2019, no long overdue rent was identified. We have sample-checked to the settlement record of certain lease agreements during the period from May 2019 to July 2019, neither default payment nor long overdue rent was noted. According to the risk assessment report dated 8 July 2019 prepared by the risk management department of the Company in relation to the due diligence and risk assessment for the Factoring Agreement II (the “**Assessment Report II**”), (i) the tenants of those 53 lease agreements settled the rent on time; (ii) among those 53 lease agreements, all of the tenants are engaged in over 10 business sectors, including but not limited to the cultural, trading, technology-related, finance, medical and education sectors; and (iii) the current occupancy rate of the Rental Property II is over 95% in July 2019. Considering that (i) the value of the expected accounts receivable of the underlying asset of approximately RMB12.6 million is higher than the factoring principal of RMB10.0 million for the Factoring Agreement II; (ii) the timely payment record of the 53 lease agreements; (iii) diversified business risk exposure of the tenants; and (iv) high occupancy of the Rental Property II, we are of the opinion of that the factoring principal is sufficiently secured by the value of the underlying assets under the Factoring Agreement II.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summarised (i) the expected amount of rental receivable under the Factoring Agreement I to be received by Shanghai Kuaijie from the 102 lease agreements (the “**Expected Rent I**”) and the expected amount of repayment of factoring interest and principal by Shanghai Kuaijie to Fullin Factoring (the “**Factoring Repayment I**”); and (ii) the expected amount of rental receivable under the Factoring Agreement II to be received by Shanghai Kuaiyi Mingshang from the 53 lease agreements (the “**Expected Rent II**”) and the expected amount of repayment of factoring interest and principal by Shanghai Kuaiyi Mingshang to Fullin Factoring (the “**Factoring Repayment II**”) for the years ending 31 December 2019, 2020, 2021 and 2022, respectively.

	For the years ending 31 December				Total
	2019	2020	2021	2022	
	<i>(RMB million)</i>				
Expected Rent I	3.7 <i>Note 1</i>	12.1	3.2	0.1 <i>Note 3</i>	19.1
Factoring Repayment I	0.5	8.5	8.5	–	17.5
Expected Rent II	1.6 <i>Note 2</i>	7.8	2.4	0.8 <i>Note 4</i>	12.6
Factoring Repayment II	0.3	5.1	6.4	–	11.8

Notes:

1. Such amount covers the period from 1 November 2019 to 31 December 2019.
2. Such amount covers the period from 1 December 2019 to 31 December 2019.
3. Such amount covers the period from 1 January 2022 to 28 February 2022.
4. Such amount covers the period from 1 January 2022 to 14 September 2022.

From the above table, we noted that the accumulated Expected Rent I and the accumulated Expected Rent II are higher than the total Factoring Repayment I and the total Factoring Repayment II, respectively, throughout the financing term under the Factoring Agreements. For the year ending 31 December 2020, the accumulated Expected Rent I is approximately RMB15.8 million, and after deducting the accumulated Factoring Repayment I of approximately RMB9.0 million, the remaining cash is approximately RMB6.8 million which will be used to finance part of the repayment for the year ending 31 December 2021. For the year ending 31 December 2020, the accumulated Expected Rent II is approximately RMB9.4 million, after deducting the accumulated Factoring Repayment II of approximately RMB5.4 million, the remaining cash is approximately RMB4.0 million which will be used to finance the repayment for the year ending 31 December 2021. We are of the opinion that the Expected Rent I and the Expected Rent II can generate stable income for Shanghai Kuaijie and Shanghai Kuaiyi Mingshang to cover the Factoring Repayment I and the Factoring Repayment II, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company announced ten discloseable transactions in relation to ten sets of factoring agreements which were entered into between the Group and independent third parties within the past 24 months prior to the date of the Announcement (the “**Factoring Comparables**”). For the purpose of assessing the reasonableness of the Factoring Agreements, we have reviewed and summarised the details of the Factoring Comparables.

	Date of announcement	Factoring principal (RMB million)	Term (years) <i>Note 1</i>	Interest rate (per annum) <i>Note 2</i>	Factor ratio (no more than)	With guarantee/ security	Repayment of factoring principal
1.	22/8/2017	4.5	5	10.5%	90%	Guarantee	Quarterly basis
2.	6/9/2017	18.3	6	10.5%	90%	Guarantee	Quarterly basis
3.	29/12/2017	30.0	3	5.53%	80%	Guarantee	Monthly basis
4.	29/6/2018	40.0	3	5.28%	80%	Guarantee	Monthly basis
5.	21/9/2018	20.0	1	12%	20.24%	Guarantee and security	By three instalments on specific dates
6.	11/10/2018	5.0	1	14%	65%	Guarantee	By two instalments on specific dates
7.	11/10/2018	15.0	1	15%	48%	Guarantee and security	By four instalments on specific dates
8.	26/4/2019	20.0	1.25	15%	70%	Guarantee and security	By five instalments on specific dates
9.	24/7/2019	20.0	1.40	12%	27.59%	Guarantee and security	By three instalments on specific dates
10.	7/8/2019	25.0	3	7.26% <i>Note 3</i>	80%	Guarantee	Monthly basis

Notes:

1. Represents the terms of the factoring agreements having taken into account the maximum numbers of extension (if any).
2. The factoring interests of all the Factoring Comparables are payable on monthly basis.
3. Represents the average interest rate of different stages under the maximum numbers of extension.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Factor ratios

The factor ratios of the Factoring Comparables ranged from no more than 20.24% to no more than 90%. We understand from the management of the Company that the factor ratio is determined on a case-by-case basis with reference to factors such as the overall strength and competitiveness of its customers as well as financial condition, business operation, repayment capability and credit status of the customers. We have reviewed the Assessment Report I and the Assessment Report II and noted that the Company has performed due diligence on the credit status, background and financial position of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang, as well as the background of the guarantors and the securities pledged for each of the Factoring Agreements. Given that (i) stable rental income can be generated from the respective lease agreements; (ii) the results of the risk assessment reports of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang restricted the factor ratio to be no more than 80%; and (iii) the factor ratio under each of the Factoring Agreements is within the range of the factor ratios of the Factoring Comparables, we consider that the basis of determining the factor ratios of the Factoring Agreements is consistent with the Company's factoring policy.

Factoring interest

Pursuant to each of the Factoring Agreements, the factoring interest was determined after arm's length negotiation between Fullin Factoring and Shanghai Kuaijie and between Fullin Factoring and Shanghai Kuaiyi Mingshang after taking into account (i) the prevailing market interest rate for factoring transactions in the PRC factoring industry; (ii) the average factoring interest rates charged by Fullin Factoring to its factoring customers under all its factoring transactions from 1 January 2018 to 30 June 2019 (i.e. approximately 12.78%); (iii) the risk associated with the factoring activities under the Factoring Agreements, including but not limited to the credit assessment of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang, based on their business, financial position and repayment capability reflected by the due diligence investigation conducted by Fullin Factoring, the value of the underlying accounts receivable, the estimated value of the relevant pledged assets, and the repayment capability of the relevant guarantors; and (iv) the cost of funding of Fullin Factoring, being the interest rates of all the outstanding bank loans of Fullin Factoring as at 30 June 2019 which ranged from 3.80% to 6.09%. 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 13% per annum

C = the actual number of days of the advancement

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the factoring interest under each of the Factoring Agreements is calculated based on the same formula as the Factoring Comparables. We also noted that the annual interest rates of Factoring Agreements are within and close to the upper end of the range of the interest rate of the Factoring Comparables.

Repayment of the factoring principal amount

The respective factoring interest under each of the Factoring Agreements will be payable by Shanghai Kuaijie and Shanghai Kuaiyi Mingshang to Fullin Factoring on a monthly basis. The terms of repayment of the factoring interests under the Factoring Agreements are in line with interest settlement method of the Factoring Comparables.

The Company considers that the payment schedule of the underlying accounts receivable is settled monthly, bi-monthly or tri-monthly in advance during the lease terms. The principal of the Factoring Agreement I is settled on a semi-annual basis. The principal of the Factoring Agreement II is settled by four instalments per year (in which two instalments will be made in March and April and the other two instalments will be made in September and October) and the payment frequency is similar to a semi-annual payment schedule. The Company indicated that the Group may face liquidity risk by adopting less frequent principal repayment timetable. In view of the Group's liquidity risk, a monthly review on the Group's cash flow position is performed to monitor the cash flow requirements. Based on the Group's financial position as at 30 June 2019 as disclosed in the 2019 interim report of the Company that the cash and cash equivalent and the net current asset of the Group was amounted to approximately RMB84.0 million and RMB199.8 million, respectively, which represents sufficient working capital to support the Group's operation. Balancing the potential risk and benefit associated with the semi-annual repayment schedules, we concur with the Directors that it is reasonable to adopt such principal repayment schedules for the Factoring Agreements.

To further assess the fairness and reasonableness of the major terms of each of the Factoring Agreements, we have identified eight factoring transactions (the "Market Comparables") based on the criteria that (i) the Market Comparables involved in factoring transactions; (ii) the announcements in relation to the Market Comparables, with sufficient information disclosed for comparison purpose (including principal amount, interest rate per annum, management fee, provision of guarantee and/or security and repayment terms of factoring principal and interest), which were published within the past 12 months prior to the date of the Announcement; and (iii) the companies of the Market Comparables are listed on the Stock Exchange and principally engaged in finance leasing and factoring business and their relevant revenue accounted for over 75% of their total revenue. We consider that the Market Comparables set forth in the below table represent an exhaustive list based on such criteria and are relevant and appropriate comparables to the Factoring Agreements.

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)	Total management fee to factoring principal amount	With guarantee/security	Repayment of the factoring principal	Repayment of the factoring interest
1. 23/5/2019	8525	Byleasing Holdings	15.60%	2	nil	Guarantee	At the end of the lease term	At the end of the lease term
2. 20/5/2019	1606	China Development Bank Financial Leasing	4.75%	<i>Note 1</i>	0.40%	Guarantee	Payable by the debtors of the underlying accounts receivable	Payable by the debtors of the underlying accounts receivable
3. 10/5/2019	3848	Wealthy Way Group	10.00%	12	nil	Guarantee	At the end of the lease term	Quarterly basis
4. 28/12/2018	1606	China Development Bank Financial Leasing	4.75%	46	0.43%	Guarantee	Payable by the debtors of the underlying accounts receivable	Payable by the debtors of the underlying accounts receivable
5. 27/12/2018	3848	Wealthy Way Group	10.50%	9	nil	No	At the end of the lease term	Quarterly basis
6. 24/12/2018	3848	Wealthy Way Group	10.50%	9	nil	No	At the end of the lease term	Quarterly basis
7. 24/12/2018	3848	Wealthy Way Group	10.00%	18	nil	No	At the end of the lease term	Semi-annual basis
8. 30/10/2018	1606	China Development Bank Financial Leasing	4.75%	48	0.47%	Guarantee	Payable by the debtors of the underlying accounts receivable	Payable by the debtors of the underlying accounts receivable
		Maximum	15.60%	48	0.47%	<i>Note 2</i>		
		Minimum	4.75%	2	0.40%	<i>Note 2</i>		
		Average	8.86%	20.6	0.43%	<i>Note 2</i>		
		Median	10.00%	12	0.43%	<i>Note 2</i>		
		<u>The Company:</u>						
		Factoring Agreement I	13.0%	24	1.77%	Guarantee and Security	Semi-annual basis	Monthly basis
		Factoring Agreement II	13.0%	24	1.70%	Guarantee and Security	By four instalments per annum on specific dates	Monthly basis

Note 1: The term of the factoring agreement was not disclosed in the relevant announcement.

Note 2: The Market Comparable, which did not charge a management fee for a factoring agreement, is excluded from our analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, we noted that (i) the interest rate per annum of the Market Comparables ranged from approximately 4.75% to 15.60% with an average of approximately 8.86% and a median of approximately 10.00%; and (ii) the term of the Market Comparables ranged from approximately two months to 48 months, had an average of approximately 20.6 months and a median of approximately 12 months. Based on the above observations, the factoring interest rate of 13% per annum under both of the Factoring Agreements is above the average and the median of the Market Comparables and is within the respective range of the Market Comparables. Based on our findings from the above analysis, we noted that there are three outliers out of the eight Market Comparables with exceptionally lower or higher factoring interest rates as compared to the rest of the Market Comparables (i.e. the interest rate of these three outliers are 15.60%, 4.75% and 4.75% and their corresponding length of terms are 2, 46 and 48 months, respectively), and these outliers are considered to skew the overall result. By excluding these three outliers, the remaining five Market Comparables (the “**Modified Market Comparables**”) indicated that the interest rate per annum is ranged from approximately 4.75% to 10.50% with an average of approximately 9.15% and a median of approximately 10.00%. Although the interest rates of the Factoring Agreements are higher than the maximum interest rate of the Modified Market Comparables, however, it is still in the interest of the Group to charge a higher interest rate to its customers.

We noted that five out of the eight Market Comparables did not charge management fees. The remaining three Market Comparables charged a management fee which is within the range of 0.40% to 0.47% of the factoring principal. The management fees are approximately 1.77% and 1.70% of the factoring principal of the Factoring Agreement I and Factoring Agreement II, respectively. Since the management fee is part of the Group’s income source, we are of the view that it is beneficial for and in the interest of the Group to charge a higher management fee for its customers, even though the management fee ratio of the Factoring Agreements is higher than that of the three Market Comparables. Moreover, a management fee is charged to the customers of the Market Comparables and the factoring principal is reduced accordingly. The adjusted factor ratio (i.e. (factoring principal – the management fee received at the beginning of the factoring term)/total underlying assets) of the Factoring Agreement I and the Factoring Agreement II were approximately 77.7% and 78.8%, respectively, which slightly reduced the risk exposure of the Factoring Agreements.

Five out of the eight Market Comparables provide guarantees in favour of the lenders of the factoring agreements. This suggests that most lenders obtain guarantees to secure the recovery of the factoring principal and interest. Other than guarantees provided by Shanghai Kuaijie and Shanghai Kuaiyi Mingshang, both of the borrowers provided pledged securities as collateral so that Fullin Factoring have extra protection against credit risk.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered in particular that (i) the factoring interest rates of the Factoring Agreements are above the average of the Market Comparables and the Modified Market Comparables; (ii) the durations of the Factoring Agreements are within the range of Market Comparables; and (iii) the management fee ratios of the Factoring Agreement are higher than that of the Market Comparables and it is beneficial for the Group to charge a higher management fee, we are of the view that the terms under the Factoring Agreements are on normal commercial terms and are fair and reasonable to the Group.

(ii) *Guarantee and Securities under the Factoring Agreements*

In order to secure the factoring principal amount payable by Shanghai Kuaijie and Shanghai Kuaiyi Mingshang and minimise the corresponding default risk, Fullin Factoring has obtained guarantees and securities details of which are set out as follows:

Guarantors:

For the Factoring Agreement I

- Beijing Kuaiyi Tiandi
- Shanghai Kuaiyi Mingshang
- Mr. Wang Fuhan
- Ms. Ying Wen (Spouse of Mr. Wang Fuhan)

For the Factoring Agreement II

- Shanghai Weiwo Investment Management Co., Ltd.
- Shanghai Darun Gongjiang Investment Management Co., Ltd.
- Shanghai Lanzi Network Science and Technology Co., Ltd.
- Shanghai Kuaiye Enterprise Management Co. Ltd.
- Ms. Shi Yan
- Mr. Wang Fuhan
- Ms. Ying Wen (Spouse of Mr. Wang Fuhan)
- Mr. Wang Jianfeng
- Ms. Xia Wei (Spouse of Mr. Wang Jianfeng)

Security:

For the Factoring Agreement I

- Beijing Dayuan Tiandi entered into a share pledge agreement with Fullin Factoring pursuant to which Beijing Dayuan Tiandi agree to pledge all 49% equity interest held in Beijing Kuaiyi Tiandi to Fullin Factoring (the unaudited amount of net assets of Beijing Kuaiyi Tiandi is approximately RMB49.9 million as at 31 May 2019); and
- Shanghai Kuaijie entered into a pledge agreement with Fullin Factoring pursuant to which Shanghai Kuaijie agreed to pledge the rental income from all existing and new tenants of the Rental Property I for the following three years commencing from the Effective Date to Fullin Factoring (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuaijie to Fullin Factoring pursuant to the terms of the Factoring Agreement I), and the maximum amount of such rental income is expected to reach approximately RMB74.9 million (equivalent to approximately HK\$83.6 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the Factoring Agreement II

- Shanghai Kuaiyi Mingshang entered into a pledge agreement with Fullin Factoring pursuant to which Shanghai Kuaiyi Mingshang agreed to pledge the rental income from all existing and new tenants of Rental Property II for the following three years commencing from the Effective Date to Fullin Factoring (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuaiyi Mingshang to Fullin Factoring pursuant to the terms of the Factoring Agreement II), and the maximum amount of such rental income is expected to reach approximately RMB82.3 million (equivalent to approximately HK\$91.8 million).

To assess the competency of the guarantors and securities, we have reviewed the key guarantors and securities.

Beijing Kuaiyi Tiandi holds 100% of the equity interest of Shanghai Kuaijie, and Beijing Kuaiyi Tiandi is owned as to 49% by Beijing Dayuan Tiandi and as to 51% by Shanghai Kuaiyi Mingshang, respectively. We have obtained the unaudited financial statements of Beijing Kuaiyi Tiandi for the five months ended 31 May 2019, and noted that the net assets of Beijing Kuaiyi Tiandi as at 31 May 2019 amounted to approximately RMB49.9 million.

Shanghai Kuaiyi Mingshang is listed on the National Equities Exchange and Quotations of the PRC (全國中小企業股份轉讓系統) (stock code: 831423) with market capitalization of approximately RMB54.0 million as at the Latest Practicable Date. According to the audited consolidated financial statement of Shanghai Kuaiyi Mingshang for the year ended 31 December 2018, Shanghai Kuaiyi Mingshang and its subsidiaries recorded net asset of approximately RMB34.6 million. Mr. Wang Fuhan, Mr. Wang Jianfeng and Ms. Shi Yan, who are the substantial shareholders and directors of Shanghai Kuaiyi Mingshang, in aggregate, hold approximately 50.7% equity interests of Shanghai Kuaiyi Mingshang in June 2019.

The expected rental income of all existing and new tenants of the Rental Property I and the Rental Property II (excluding the rental income from the existing tenants where the related accounts receivable were transferred to Fullin Factoring pursuant to the terms of the Factoring Agreements) for the following three years commencing from the Effective Date are pledged to Fullin Factoring. These expected rental income of Rental Property I and Rental Property II, which are amounted to approximately RMB74.9 million and RMB82.3 million, respectively, will provide additional protection against the credit risk of the Factoring Agreements.

Considering (i) the latest available financial information of Beijing Kuaiyi Tiandi and Shanghai Kuaiyi Mingshang; (ii) the individual guarantors' shareholding in Shanghai Kuaiyi Mingshang; and (iii) the expected rental income of the Rental Property I and Rental Property II for the following three years, we are of the opinion that the corporate guarantors and individual guarantors, on a jointly basis, are financially competent to be the guarantors of the Factoring Agreements and the securities are sufficient. Thus, the corresponding exposure and risks of default under the Factoring Agreements are considered limited.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons and benefits for entering into the Factoring Agreements

The Group is actively expanding its factoring business. As stated in the 2018 annual report of the Company, the factoring income accounted for approximately 5.6% and 13.5% of the total revenue during the years ended 31 December 2017 and 2018, respectively. The factoring income amounted to approximately RMB6.8 million for the year ended 31 December 2017 and increased to approximately RMB21.0 million for the year ended 31 December 2018. Since the Group has been actively engaged in the factoring business, entering into the Factoring Agreements is a normal business transaction of the Group. Based on the terms of the Factoring Agreements, the Group is expected to derive an aggregate of interest income and management fee income of approximately RMB4,517,000 (equivalent to approximately HK\$5,040,000) from the Factoring Agreements during the upcoming three financial years. The implied internal rate of return of the Factoring Agreement I and II is 14.72% and 14.93%, respectively.

For all potential factoring customers (regardless of whether they are connected persons 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; and (ii) project assessments and preparation. We reviewed the Assessment Report I and the Assessment Report II prepared by the risk management department of the Company and noted that a staff from the risk management department has conducted site inspection on 4 June 2019 and 8 July 2019, respectively. The risk management department examined all of the lease agreements and performed on-site visit to confirm the existence and accuracy of the lease agreements stipulated under the Factoring Agreements. The risk management department sample-checked rental settlement records and confirmed that the accounts receivable are properly settled and Shanghai Kuaijie and Shanghai Kuaiyi Mingshang maintains internal control procedures to monitor the settlement of accounts receivable due from the tenants. The risk management department also conducted background check and litigation check of major tenants, Shanghai Kuaijie, Shanghai Kuaiyi Mingshang and all the guarantors under the Factoring Agreements 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 tenants settled rental on a timely basis; (ii) Shanghai Kuaijie and Shanghai Kuaiyi Mingshang have sufficient amount of cash and the cash inflow from the leased properties which fully covers the finance cost of the Factoring Agreements; (iii) the risk control procedures of rental income are in place; and (iv) the real estate business of Shanghai Kuaijie and Shanghai Kuaiyi Mingshang are sustainable under the property market in Shanghai. The Assessment Report I and the Assessment Report II were circulated to the project approval committee for review and we noted that the Assessment Report I and the Assessment Report II were approved by all five committee members on 19 June 2019 and 23 July 2019, respectively. Since the transaction

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

amount was over RMB5 million, the Factoring Agreements and the corresponding risk assessment reports were passed to the risk and investment committee for further review. We also examined the internal approval document and noted that the Factoring Agreements and the corresponding risk assessment report were approved by all six committee members of the risk and investment committee on 26 June 2019 and 23 July 2019, respectively.

Considering that (i) the Factoring Agreements are in the normal course of business of the Group; (ii) the credit risk associated with the accounts receivable under the Factoring Agreements has been diversified; (iii) the repurchase clauses in each of the Factoring Agreements reduces the default risk; (iv) the guarantors and securities, on a collective basis, are financially competent; and (v) Fullin Factoring has carried out the due diligence and risk assessment work in accordance with the Company's internal control policies with satisfactory result and proper managerial approvals, we concur with the Directors that the Factoring Agreements are in the interest of the Company and the Shareholders as a whole.

5. Proposed annual caps

As set out in the Letter from the Board, the Company estimates that the proposed annual caps for the continuing connected transactions contemplated under the Factoring Agreements include (i) the maximum outstanding factoring principal amount payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I and by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II; and (ii) the corresponding maximum factoring interest amount and management fee amount payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I and by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II, are as follows:

Maximum outstanding factoring principal amount

For the year ending 31 December	Total RMB (Approx.)	Total (Equivalent amount of HK\$) (Approx.)
2019	25,000,000	27,898,672
2020	25,000,000	27,898,672
2021	14,000,000	15,623,256

Maximum factoring interest (exclusive of VAT)

For the year ending 31 December	Total RMB (Approx.)	Total (Equivalent amount of HK\$) (Approx.)
2019	665,000	742,105
2020	2,494,000	2,783,172
2021	946,000	1,055,686

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Maximum management fee (exclusive of VAT)

For the year ending 31 December	Total RMB (Approx.)	Total (Equivalent amount of HK\$) (Approx.)
2019	67,000	74,768
2020	250,000	278,987
2021	95,000	106,015

In order to assess the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company about the methodology of determining the proposed 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 Agreements for the three years ending 31 December 2021.

We have checked the repayment timetable of factoring principal and noted that the proposed annual caps in relation to the maximum outstanding balance of the factoring principal amount is calculated based on the outstanding principal and the repayment schedule of the principal. The proposed annual caps in relation to the maximum outstanding balance of factoring principal amount for the year ending 31 December 2021 is lower than that for the years ending 31 December 2019 and 2020 due to the repayment of principal during the year ending 31 December 2020.

We also reviewed the calculation schedule of the interest income and the amortisation schedule of the management fee. We noted that the proposed annual caps in relation to the maximum factoring interest amount and management fee amount derived from the interest income and management fee to be recognised as income during the respective year. We noted that the interest income is calculated based on the monthly outstanding principal (taking into account of the principal repayment schedule) and the factoring interest rate of 13% while the management fee is amortised for a period of 24 months from the Effective Date. Meanwhile, the proposed annual caps in relation to the maximum factoring interest and management fee for the year ending 31 December 2020 is higher than the respective proposed annual caps for the years ending 31 December 2019 and 2021 is due to the full year impact of the factoring interest income and management fee.

Having reviewed (i) the principal repayment schedule; (ii) the calculation basis of interest income; and (iii) the calculation basis of amortised management fee under the Factoring Agreements, we are of the view that the proposed annual caps are fair and reasonable.

6. Internal Control

The asset management department, business department, finance department and risk management department of the Company are collectively responsible for the portfolio management of the transactions contemplated under the Factoring Agreements to ensure that the terms under Factoring Agreements will be complied with. The asset management department will send payment reminders to Shanghai Kuaijie and Shanghai Kuaiyi Mingshang on a monthly basis and prepare monthly reports relating to the status

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of such receivable for the senior management's review. The finance department is responsible for monitoring the status of repayment from Shanghai Kuaijie and Shanghai Kuaiyi Mingshang and calculating whether the outstanding balance is within the proposed 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 proposed annual caps will not be exceeded.

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) has 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 proposed annual caps.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms of the Factoring Agreements were entered into under normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Factoring Agreements and the proposed 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 resolution to be proposed at the EGM for approving the terms of the Factoring Agreements, the transactions contemplated thereunder and the proposed 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, save as disclosed below, 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.

Interest in the associated corporation (long position)

Name	Associated corporation	Class of shares	Nature of interest	Number of shares	Approximate percentage of share capital (%)
Mr. Zhuang Wei	Shanshan Holding Co., Ltd. ("Shanshan Holding")	Ordinary shares	Interest of a controlled corporation	22,000,000	2.20

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

(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 corporations (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 Number ⁽¹⁾	Percentage (approx.)	Shares held in the total share capital of the Company 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)	0.56%
Shanshan Group Co., Ltd. ("Shanshan Group") ⁽³⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Yonggang Clothing Investment Co., Ltd. ("Ningbo Yonggang") ⁽⁴⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Holding ⁽⁵⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

Name of Shareholder	Class of Shares	Nature of interest	Shares held in		Shares held in	
			the relevant class of Shares Number ⁽¹⁾	Percentage (<i>approx.</i>)	the total share capital of the Company Number ⁽¹⁾	Percentage (<i>approx.</i>)
Ningbo Qinggang Investment Co., Ltd. ("Qinggang Investment") ⁽⁶⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Mr. Zheng Yonggang ⁽⁷⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ms. Zhou Jiqing ⁽⁷⁾	Unlisted Foreign Shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic Shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Dayuan Tiandi ⁽⁸⁾	Domestic Shares	Beneficial Owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua ⁽⁸⁾	Domestic Shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang ⁽⁸⁾	Domestic Shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
KKC Capital SPC — KKC Capital High Growth Fund Segregated Portfolio ⁽⁹⁾	H Shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
KKC Capital Limited ⁽¹⁰⁾	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
Tiger Capital Fund SPC — Tiger Global SP ⁽¹¹⁾	H Shares	Beneficial owner	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%
A Plus Capital Management Limited ⁽¹¹⁾	H Shares	Investment manager	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares. 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 was a joint stock limited company established in the PRC whose shares were listed on the Shanghai Stock Exchange (Stock Code: 600884) and was the sole shareholder of Shanshan HK. Shanshan was also indirectly interested in 40% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創暉創業投資管理有限公司) which was the general partner of Nantong Shanshan Venture Capital Centre (Limited Partnership) (南通杉杉創業投資中心(有限合夥)) (“**Nantong Shanshan**”). By virtue of the SFO, Shanshan was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (3) Shanshan Group held 32.69% of the registered share capital of Shanshan, and (together with Shanshan Holding) controlled the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (4) Ningbo Yonggang was interested in 11.94% of the registered share capital of Shanshan Group, which (together with Shanshan Holding) controlled the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (5) Shanshan Holding directly held approximately 7.18% of the registered share capital of Shanshan and indirectly held approximately 32.69% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding was interested in 97.34% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly held 61.84% and indirectly held 11.94% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (6) Qinggang Investment owned approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (7) Qinggang Investment was owned as to 51% by Mr. Zheng Yonggang and 49% by Ms. Zhou Jiqing. By virtue of the SFO, Mr. Zheng Yonggang and Ms. Zhou Jiqing were deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (8) Dayuan Tiandi was owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang were deemed to be interested in the Shares held by Dayuan Tiandi.
- (9) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by KKC Capital SPC — KKC Capital High Growth Fund Segregated Portfolio as a beneficial owner.
- (10) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by KKC Capital Limited as an investment manager.
- (11) According to the information available on the website of the Stock Exchange, 9,318,000 H Shares were held by Tiger Capital Fund SPC — Tiger Global SP as a beneficial owner and Tiger Capital Fund SPC — Tiger Global SP was directly wholly owned by A Plus Capital Management Limited.

Save as disclosed above, as at the Latest Practicable Date, 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 5% 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 on 18 July 2018. The principal particulars of these service contracts comprise, among others, a term of three years commencing from the date on which their respective appointment was approved by the Shareholders, subject to termination in accordance with the terms of their respective service contract. 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 had or was 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', Supervisors' or Controlling Shareholders' interests in competing businesses

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

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 Circular, save for the compliance adviser agreement entered into between the Company and Dongxing Securities dated 14 September 2016, Dongxing Securities or its directors, employees and 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.

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 2018, 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 2018, 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, the PRC and the principal place of business of the Company in Hong Kong is at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.
- (b) The Company's Hong Kong H Share registrar and transfer office is Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong.
- (c) The joint company secretaries of the Company is Ms. Ng Wing Shan and Ms. Wang Ying. Ms. Ng Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries 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 40/F, Sunlight Tower, 248 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 Agreements;
- (c) the accounts receivable transfer agreement dated 9 August 2019 entered into between Fullin Factoring as assignee and Shanghai Kuaijie as assignor in relation to the accounts receivable assigned under the Factoring Agreement I;
- (d) the accounts receivable transfer agreement dated 9 August 2019 entered into between Fullin Factoring as assignee and Shanghai Kuaiyi Mingshang as assignor in relation to the accounts receivable assigned under the Factoring Agreement II;
- (e) the factoring service fee agreement dated 9 August 2019 entered into between Fullin Factoring as factor and Shanghai Kuaijie as seller in relation to the management fee under the Factoring Agreement I;

- (f) the factoring service fee agreement dated 9 August 2019 entered into between Fullin Factoring as factor and Shanghai Kuaiyi Mingshang as seller in relation to the management fee under the Factoring Agreement II;
- (g) the guarantee agreement dated 9 August 2019 executed by Beijing Kuaiyi Tiandi as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I;
- (h) the guarantee agreement dated 9 August 2019 executed by Shanghai Kuaiyi Mingshang as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I;
- (i) the guarantee agreement dated 9 August 2019 executed by Mr. Wang Fuhan (王輔晗) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I;
- (j) the guarantee agreement dated 9 August 2019 executed by Ms. Ying Wen (應文) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaijie to Fullin Factoring under the Factoring Agreement I;
- (k) the guarantee agreement dated 9 August 2019 executed by Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (l) the guarantee agreement dated 9 August 2019 executed by Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (m) the guarantee agreement dated 9 August 2019 executed by Shanghai Lanzi Network Science and Technology Co., Ltd. (上海嵐孜網路科技有限公司) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (n) the guarantee agreement dated 9 August 2019 executed by Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;

- (o) the guarantee agreement dated 9 August 2019 executed by Ms. Shi Yan (施豔) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (p) the guarantee agreement dated 9 August 2019 executed by Mr. Wang Fuhan (王輔哈) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (q) the guarantee agreement dated 9 August 2019 executed by Ms. Ying Wen (應文) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (r) the guarantee agreement dated 9 August 2019 executed by Mr. Wang Jianfeng (王建峰) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (s) the guarantee agreement dated 9 August 2019 executed by Ms. Xia Wei (夏薇) as guarantor in favour of Fullin Factoring in relation to the guarantee of payment of all debt payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II;
- (t) the share pledge agreement dated 9 August 2019 entered into between Beijing Dayuan Tiandi and Fullin Factoring pursuant to which Beijing Dayuan Tiandi agreed to pledge all 49% equity interest it held in Beijing Kuaiyi Tiandi to Fullin Factoring as security for the total factoring principal amount payable by Shanghai Kuajie to Fullin Factoring under the Factoring Agreement I;
- (u) the share pledge agreement dated 9 August 2019 entered into between Beijing Dayuan Tiandi and Fullin Factoring, bearing the same content as the agreement under item (t) above but adopting a different agreement template provided by relevant PRC authorities, for the purpose of due and proper registration with the relevant PRC authorities after the execution;
- (v) the pledge agreement dated 9 August 2019 entered into between Shanghai Kuajie and Fullin Factoring pursuant to which Shanghai Kuajie agreed to pledge the rental income from all existing and new tenants of a property located in Shanghai, the PRC for the following three years commencing from the Effective Date to Fullin Factoring as security for the total factoring principal amount payable by Shanghai Kuajie to Fullin Factoring under the Factoring Agreement I (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuajie to Fullin Factoring pursuant to the terms of the Factoring Agreement I);

- (w) the pledge agreement dated 9 August 2019 entered into between Shanghai Kuaiyi Mingshang and Fullin Factoring pursuant to which Shanghai Kuaiyi Mingshang agreed to pledge the rental income from all existing and new tenants of a property located in Shanghai, the PRC for the following three years commencing from the Effective Date to Fullin Factoring as security for the total factoring principal amount payable by Shanghai Kuaiyi Mingshang to Fullin Factoring under the Factoring Agreement II (excluding the rental income from existing tenants where the related accounts receivable were transferred from Shanghai Kuaiyi Mingshang to Fullin Factoring pursuant to the terms of the Factoring Agreement II);
- (x) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (y) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (z) the written consent from the Independent Financial Adviser referred to in the section headed "Expert's Qualification and Consents" in this appendix; and
- (aa) this circular.

NOTICE OF EGM

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) 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 Thursday, 24 October 2019 at 11:30 a.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 9 September 2019 issued by the Company to its shareholders (the “Circular”):

- (a) the with-recourse commercial factoring agreement dated 9 August 2019 (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 上海快韻企業管理有限公司 (Shanghai Kuaijie Enterprise Management Co., Ltd.), (“Shanghai Kuaijie”) as seller, pursuant to which Fullin Factoring has agreed to provide the accounts receivable factoring services for Shanghai Kuaijie with a facility in the factoring principal amount of RMB15,000,000 for a term of two years commencing from the Effective Date (as defined in the Circular), 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 with-recourse commercial factoring agreement dated 9 August 2019 (the “Factoring Agreement II”, together with the Factoring Agreement I, the “Factoring Agreements”) entered into between Fullin Factoring as factor and Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) (“Shanghai Kuaiyi Mingshang”) as seller, pursuant to which Fullin Factoring has agreed to provide the accounts receivable factoring services for Shanghai Kuaiyi Mingshang with a facility in the factoring principal amount of RMB10,000,000 for a term of two years commencing from the Effective Date (as defined in the Circular), a copy of which has been produced to the meeting and marked “B” 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;

NOTICE OF EGM

- (c) the proposed annual caps for the Factoring Agreements on an aggregated basis for each of the three years ending 31 December 2021 as set out in the Circular be and is hereby approved; and
- (d) all other transactions to be entered into by the Company and/or its subsidiaries as contemplated under the Factoring Agreements 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 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 Agreements or the transactions contemplated thereunder.”

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

Hong Kong, 9 September 2019

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 Tuesday, 24 September 2019 to Thursday, 24 October 2019, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 September 2019.

Shareholders whose names appear on the register of members of H shares of the Company after the close of business on Monday, 23 September 2019 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. Holders 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 Friday, 4 October 2019. 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 54, 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, Mr. Weng Jianxing and Ms. Wang Ying; the non-executive Directors are Mr. Zhuang Wei, Mr. Qian Cheng and Mr. Sun Luran; and the independent non-executive Directors are Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen.