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FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

**DISCLOSEABLE TRANSACTION
SALE AND LEASEBACK ARRANGEMENT WITH
ANHUI SHENG XIAOXIAN LINPING PAPER CO., LTD.***

SALE AND LEASEBACK ARRANGEMENT

On 3 June 2020, the Company entered into the Sale and Leaseback Arrangement with the Lessee under which the Company would purchase the Lease Assets from the Lessee at an aggregate consideration of RMB15,000,000 and the Company would lease the Lease Assets to the Lessee for a term of 36 months in return for lease payment.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for the transactions contemplated under the Sale and Leaseback Arrangement, when aggregate with the Previous Sale and Leaseback Arrangement with the Lessee, exceed 5% but are less than 25%, the transactions contemplated under the Sale and Leaseback Arrangement constitute a discloseable transaction 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.

SALE AND LEASEBACK ARRANGEMENT

On 3 June 2020, the Company entered into the Sale and Leaseback Arrangement which comprises:

- (i) the Asset Transfer Agreement pursuant to which the Company has agreed to purchase the Lease Assets at an aggregate consideration of RMB15,000,000; and
- (ii) the Lease Agreement pursuant to which the Company has agreed to lease the Lease Assets back to the Lessee at a monthly rental payment of RMB475,000 for a term of 36 months.

The principal terms and conditions of the Asset Transfer Agreement and the Lease Agreement are summarised as follows:

(1) ASSET TRANSFER AGREEMENT

Parties:	The Company (as purchaser) The Lessee (as seller)
Assets involved:	A total of 20 units of paper manufacturing facilities, equipment and systems.
Purchase price:	The purchase price payable for the Lease Assets under the Asset Transfer Agreement is RMB15,000,000.
Basis of determining the purchase price:	The purchase price was determined after arm-length negotiations between the Company and the Lessee with reference to, among others, the original purchase price, the general condition, the carrying value of the Leased Assets in the books of the Lessee and the second-hand value of the Lease Assets.

Payment of the purchase price:

Subject to fulfillment of certain conditions precedent including, among others, the receipt of the following documents by the Company from the Lessee:

- (i) the original receipt of the Lease Assets and a copy stamped with the company chop of the Lessee;
- (ii) an original payment advice stamped with the company chop of the Lessee and a receipt issued by the Lessee bearing the purchase price of the Leased Assets pursuant to the Asset Transfer Agreement and the Asset Transfer Agreement number;
- (iii) an original list of the Lease Assets and a written confirmation on the receipt of the Lease Assets by the Lessee, both stamped with the company chop of the Lessee; and
- (iv) photos showing each of the Leased Assets with the serial number confirming that all Lease Assets have been received by the Lessee,

the Company shall make a cash payment of RMB13,500,000, being the purchase price of RMB15,000,000 netting off with the security deposit of RMB1,500,000 required under the Lease Agreement, within 10 Business Days upon all the conditions precedent being fulfilled.

The entire sum of the purchase price payable by the Company under the Asset Transfer Agreement will be satisfied by the Company through its internal resources.

Ownership of the Lease Assets:

The ownership of the Lease Assets shall be transferred to the Company on an “as-is” basis upon the full payment or the first payment (if more than one payment) made by the Company pursuant to the Asset Transfer Agreement.

(2) LEASE AGREEMENT

Parties:

The Company (as lessor)

The Lessee (as lessee)

Subject asset and lease term:

The Lease Assets purchased under the Asset Transfer Agreement shall be leased by the Company to the Lessee for a term of 36 months commencing from the date of the full payment or the first payment (if more than one payment) of the purchase price by the Company to the Lessee pursuant to the Asset Transfer Agreement.

Conditions precedent:

The Lease Agreement shall be conditional upon the signing of the Asset Transfer Agreement, the taking effect of the guarantee agreements and the security agreements referred to therein, and the receipt of the insurance premium by the Company.

Lease payment:

The lease payment under the Lease Agreement shall be paid in cash by the Lessee on a monthly basis over the 36 months term in the amount of RMB475,000 per instalment.

The lease payment has been agreed after arm’s length negotiations between the Company and the Lessee with reference to the purchase costs of the Lease Assets by the Company, the creditability of the Lessee and the prevailing market interest rate for similar lease arrangement.

Security deposit:	A security deposit of RMB1,500,000 shall be paid by the Lessee to the Company to guarantee the obligations of the Lessee under the Lease Agreement.
Insurance premium:	An insurance premium of RMB45,000 shall be paid by the Lessee to the Company whereby the Company shall arrange insurance to cover the Lease Assets within 10 Business Days after the commencement of the lease under the Lease Agreement.
Transfer of ownership of the Lease Assets after the end of lease:	At the end of the lease term of the Lease Agreement and subject to the fulfilment of all obligations by the Lessee under the Lease Agreement, the ownership of the Lease Assets will be transferred to the Lessee upon the payment of a nominal consideration of RMB1,000 to the Company.
Default payment:	If the Lessee fails to pay any amount of lease payment due or (if any) any other amount or reimburse any expenses paid by the Company on behalf of the Lessee at the request of the Lessee on time and in full, the Lessee shall make default payment in the sum equivalent to the product of (i) the amount of late payment; (ii) a daily default rate of 0.1%; and (iii) the number of days from the payment due date to the full settlement date.
Events of default:	<p>The Company may take possession and dispose of the Lease Assets and/or declare that the outstanding lease payment, other amounts payable by the Lessee and the default payment shall be immediately payable by the Lessee and/or take appropriate actions in the occurrence of certain triggering events, including, among others, the failure by the Lessee to pay on time any instalment of the lease payment or any other amount payable by it in full or the failure of the Lessee in performing any duties and obligations under the Lease Agreement.</p> <p>The Lessee shall also compensate the Company with any expenses incurred and losses suffered by the Company as a result of the default by the Lessee.</p>

PREVIOUS SALE AND LEASEBACK ARRANGEMENT

On 18 April 2019, the Company entered into the Previous Sale and Leaseback Arrangement with the Lessee under which the Company purchased a total of 6 units of paper manufacturing facilities and equipment at an aggregate consideration of RMB15,000,000 and lease back the assets to the Lessee for a term of 36 months with a monthly rental payment of RMB477,500. Except for the subject assets and the payment amount, other key terms of the Previous Sale and Lease Arrangement are substantially the same as that under the Sale and Lease Arrangement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The principal business of the Company is the provision of finance leasing and advisory services to its customers in the PRC.

The entering into of the Sale and Leaseback Arrangement is in the ordinary and usual course of business of the Company and will enable the Company to earn an aggregate income of approximately RMB1,981,132 (exclusive of value-added tax in a total amount of RMB112,140) over the lease term.

Given that the Sale and Leaseback Arrangement is being entered into in the ordinary and usual course of business of the Company and on the normal commercial terms, the Directors are of the view that the terms of the Asset Transfer Agreement and the Lease Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

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

The Lessee

The Lessee is a limited liability company established in the PRC and is principally engaged in the manufacturing and sales of paper products in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties. As of the date of this announcement, the Lessee is a wholly-owned subsidiary of Green Paper Material Holdings Co., Limited, a Hong Kong incorporated company) and its ultimate beneficial owner is Mr. Li Jianshe (李建設).

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for the transactions contemplated under the Sale and Leaseback Arrangement when aggregate with the Previous Sale and Leaseback Arrangement exceed 5% but are less than 25%, the transactions contemplated under the Sale and Leaseback Arrangement constitute a discloseable transaction 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.

DEFINITIONS

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

“Asset Transfer Agreement”	the asset transfer agreement dated 3 June 2020 between the Company and the Lessee regarding the sale of the Lease Assets by the Lessee;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in the PRC;
“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;
“Directors”	the directors of the Company;
“GEM”	the GEM operated by the Stock Exchange;
“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 date of this announcement;

“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 traded in Hong Kong dollars and are listed on the GEM;
“HK\$”	the Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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;
“Lease Agreement”	the lease agreement dated 3 June 2020 entered into between the Company as lessor and the Lessee as lessee in relation to the lease of the Lease Assets to the Lessee;
“Lease Assets”	a total of 20 units of paper manufacturing facilities, equipment and systems as referred to in the Asset Transfer Agreement;
“Lessee”	Anhuisheng Xiaoxian Linping Paper Company Limited.* (安徽省蕭縣林平紙業有限公司), a limited liability company established in the PRC and the lessee under the Lease Agreement;
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Previous Sale and Leaseback Arrangement”	an arrangement involving the purchase of a total of 6 units of paper manufacturing facilities and equipment by the Company and lease back to the Lessee entered into by the Company and the Lessee on 18 April 2019;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sale and Leaseback Arrangement”	an arrangement involving the sale of the Lease Assets by the Lessee to the Company under the Asset Transfer Agreement and the lease back of the Lease Assets by the Company to the Lessee under the Lease Agreement;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 3 June 2020

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

Executive Directors:

Mr. Li Peng (李鵬)

Mr. Weng Jianxing (翁建興)

Ms. Wang Ying (王瑩)

Non-executive Directors:

Mr. Zhuang Wei (莊巍)

Mr. Qian Cheng (錢程)

Mr. Sun Luran (孫路然)

Independent non-executive Directors:

Mr. Fung Che Wai Anthony (馮志偉)

Mr. Hon Leung (韓亮)

Mr. Liu Shengwen (劉升文)

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

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

** For identification only.*