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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)**

**MAJOR AND CONNECTED TRANSACTION  
SALE AND LEASEBACK ARRANGEMENT WITH BEIJING CITY  
LONGDING HUAYUAN PROPERTY DEVELOPMENT CO., LTD.**

**SALE AND LEASEBACK ARRANGEMENT**

On 17 August 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 RMB72,000,000 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**

The Lessee is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company, and thus a connected person of the Company 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 Agreements, when aggregate with the Factoring Agreements, exceed 25% but are less than 100%, the transactions contemplated under the Agreements constitute a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules, and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under the GEM Listing Rules.

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene an EGM to consider, and if thought fit, approve the Agreements and the transactions contemplated under the Agreements. An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Agreements and the transactions contemplated under the Agreements. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular contains, among other things, details of the Sale and Leaseback Arrangement and the Agreements, letter from the Independent Board Committee and the Independent Financial Adviser and a notice convening the EGM, will be despatched to the Shareholders on or before 30 September 2020.

## **SALE AND LEASEBACK ARRANGEMENT**

On 17 August 2020, the Company entered into the Agreements for 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 RMB72,000,000; 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 RMB2,341,000 for a term of 36 months.

The principal terms and conditions of the Agreements are summarised as follows:

### **(1) ASSET TRANSFER AGREEMENT**

**Parties:** The Company (as purchaser)

The Lessee (as seller)

**Assets involved:** A total of 1,513 units of equipment for property development project including but not limited to fans, air-conditioners, ventilation equipment, elevators, power supply equipment and water-pump equipment.

<b>Purchase price:</b>	The purchase price payable for the Lease Assets under the Asset Transfer Agreement is RMB72,000,000.
<b>Basis of determining the purchase price:</b>	The purchase price was determined after arm-length negotiations between the Company and the Lessee with reference to, among others, the original purchase price of the Lease Assets, the general condition of the Lease Assets and the second-hand value of the Lease Assets.
<b>Payment of the purchase price:</b>	<p>The Company shall make a cash payment of RMB64,800,000 being the purchase price of RMB72,000,000 netting off with the security deposit of RMB7,200,000 required under the Lease Agreement, within 10 Business Days upon all the conditions precedent set out in the Asset Transfer Agreement being fulfilled.</p> <p>The entire sum of the purchase price payable by the Company under the Asset Transfer Agreement will be financed by a bank loan to be drawn by the Company.</p>
<b>Ownership of the Lease Assets:</b>	The title 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.
<b>Conditions precedent:</b>	<p>Conditions precedent includes the taking effect of the Asset Transfer Agreement, the Independent Shareholders approval have been obtained in accordance with the Company’s constitutional documents and the GEM Listing Rules and the receipt of the following documents by the Company from the Lessee:</p> <p>(i) the original receipt of the Lease Assets or a copy of such receipt stamped with the company chop of the Lessee;</p>

- (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; and
- (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.

## **(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:

- (i) the signing of the Asset Transfer Agreement;
- (ii) the taking effect of the guarantee agreements and the security agreements referred to therein;
- (iii) the initial monthly rental payment under the Lease Agreement having been received by the Company; and
- (iv) the Independent Shareholders approval having been obtained in accordance with the Company's constitutional documents and the GEM Listing Rules.

**Lease payment:** The lease payment under the Lease Agreement shall be paid in cash by the Lessee at a monthly rental payment of RMB2,341,000 for a term of 36 months.

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 RMB7,200,000 shall be paid by the Lessee to the Company to guarantee the obligations of the Lessee 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 RMB100 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:** 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.

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.

**Guarantee:** Each of Dayuan Tiandi and Mr. Gong Liang (貢亮), who holds 45% of equity interest in Dayuan Tiandi and is a director and the legal representative of each of Dayuan Tiandi and the Lessee, respectively entered into a guarantee agreement in favour of the Company in respect of all debt payable by the Lessee to the Company pursuant to the Lease Agreement.

## **PREVIOUS TRANSACTIONS**

Prior to entering into the Sale and Leaseback Arrangement, the Company has entered into the Factoring Agreement I with the Lessee pursuant to which the Company agreed to provide accounts receivable factoring service to the Lessee with a principal amount of RMB41,800,000. Details of the Factoring Agreement I are set out in the Company's announcement of 9 October 2017 and circular of 3 November 2017.

In addition, a wholly-owned subsidiary of the Company has entered into the Factoring Agreement II with two associates of Dayuan Tiandi on 9 August 2019 pursuant to which the wholly-owned subsidiary of the Company agreed to provide accounts receivable factoring services to the two associates of Dayuan Tiandi with an aggregate amount of RMB25,000,000. Details of the Factoring Agreement II are set out in the Company's announcement of 9 August 2019 and circular of 9 September 2019.

As at the date of this announcement, the outstanding amount due from the Lessee and the two associates of Dayuan Tiandi to the Group under the respective Factoring Agreements were approximately RMB14,200,000 and RMB19,500,000, respectively.

## **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 RMB11,581,132 (exclusive of value-added tax in a total amount of RMB694,868) over the lease term.

Before entering into the Agreements, the Company, through the business department and risk management department, has performed due diligence and a credit assessment on the Lessee in accordance with the Group's internal assessment policies, among others, on the Lessee's management team, financial status, credit history, repayment capabilities, business operation, future prospect, and purpose of the funds from the Sale and Leaseback Arrangement to be applied by the Lessee and the fair value of the Lease Assets. Based on the information available to the Company and that the Lessee has a good repayment history in relation to the Factoring Agreement I, the Company satisfied that the Lessee has a good credit standing and thus offered the terms under the Agreements which are determined with reference to the terms offered by the Company to Independent Third Party customers with similar due diligence and credit assessment results, and on normal commercial terms.

The Company would review the Lease Assets on a regular basis, including performing on-site visit to inspect the status of the Lease Assets, and reviewing financial conditions, business expansion plan, and change of the shareholders or employees of the Lessee during the term of the Lease Agreement, so as to identify potential default and take prompt appropriate action under the Lease Agreement.

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 and that the Company has satisfied with the due diligence and credit assessment results on the Lessee, the Directors (excluding the independent non-executive Directors whose view will be provided in the circular after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Agreements 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 property development in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Lessee is held as to 90% by Dayuan Tiandi (being 55% held by Mr. Zhao Dehua (趙得驊) and 45% held by Mr. Gongliang (貢亮)), 9.17% by Beijing Huien Investment Consultancy Company Limited\* (北京匯恩投資顧問公司) (being 100% held by Mr. Ma Xiaosong (馬曉松)), 0.5% by Beijing Chengjian Real Estate Development Co., Ltd (北京城建房地產開發有限公司) (being 100% held by the People's Government of Beijing Municipality), 0.33% by Mr. Zhang Wanguo (張萬國). Save for Dayuan Tiandi, all other shareholders of the Lessee and their ultimate beneficial owners are Independent Third Parties.

To the best of the Director's knowledge, Dayuan Tiandi is principally engaged in real estate development, Beijing Huien Investment Consultancy Company Limited is principally engaged in provision of consultancy services, and Beijing Chengjian Real Estate Development Co., Ltd is principally engaged in property development, sales of properties, properties rental business, carpark rental and provision of storage services.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

The Lessee is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company which holds 80,000,000 Domestic Shares, representing 22.26% of the total number of issued Shares as at the date of this announcement, and thus is a connected person of the Company. Accordingly, the transactions contemplated under the Agreements are connected transactions. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for the transactions contemplated under the Agreements, when aggregate with the Factoring Agreements, exceed 25% but are less than 100%, the transactions contemplated under the Agreements constitute a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under the GEM Listing Rules.

The Company will convene an EGM to consider, and if thought fit, approve the Agreements and the transactions contemplated under the Agreements. An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Agreements and the transactions contemplated under the Agreements. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to GEM Rule 20.66(11), a circular contains, among other things, details of the Sale and Leaseback Arrangement and the Agreements, letter from the Independent Board Committee and the Independent Financial Adviser and a notice convening the EGM, shall be despatched to the Shareholders within 15 business days after publication of this announcement. As more time is required to finalise certain information to be included in the circular including but not limited to the statement of indebtedness, working capital sufficiency statement and the letter from the Independent Financial Adviser, it is expected that the circular will be depatched to the Shareholders on or before 30 September 2020.



## DEFINITIONS

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

“Agreements”	the Asset Transfer Agreement and the Lease Agreement;
“Asset Transfer Agreement”	the asset transfer agreement dated 17 August 2020 entered into between the Company and the Lessee regarding the sale of the Lease Assets by the Lessee;
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“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;
“Dayuan Tiandi”	Beijing Municipality Dayuan Tiandi Property Development Co., Ltd (北京市大苑天地房地產開發有限公司), a company established in the PRC and a substantial shareholder of the Company;
“Directors”	the directors of the Company;
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under the laws of the PRC and are unlisted Shares which are currently not listed or traded on any stock exchange;
“EGM”	an extraordinary general meeting to be convened to consider, and if thought fit, to approve the Agreements and the transactions contemplated under the Agreements;

“Factoring Agreement I”	a factoring agreement entered into between the Company and the Lessee on 9 October 2017 pursuant to which the Company agreed to provide accounts receivable factoring services to the Lessee with a principal amount of RMB41,800,000;
“Factoring Agreement II”	two factoring agreements entered into between a wholly-owned subsidiary of the Company and two associates of Dayuan Tiandi, namely Shanghai Kuaijie Enterprise Management Co., Ltd (上海快頡企業管理有限公司) and Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展有限公司) on 9 August 2019, pursuant to which the wholly-owned subsidiary of the Company agreed to provide accounts receivable factoring services to the two associates of Dayuan Tiandi in an aggregate amount of RMB25,000,000;
“Factoring Agreements”	Factoring Agreement I and Factoring Agreement II;
“GEM”	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;
“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 Agreements and the transactions contemplated thereunder;

“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, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreements;
“Independent Shareholders”	Shareholder(s) other than Dayuan Tiandi and its associates;
“Independent Third Party(ies)”	third party(ies) 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 17 August 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 1,513 units of equipment for property development project including but not limited to fans, air-conditioners, ventilation equipment, elevators, power supply equipment and water-pump equipment as referred to in the Asset Transfer Agreement;
“Lessee”	Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司), a 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;
“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;

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules; and
“%”	per cent.

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

Hong Kong, 17 August 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](http://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](http://www.fyleasing.com).*

\* *For identification only.*