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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
DISCLOSEABLE TRANSACTION**

Reference is made to the announcement of FY Financial (Shenzhen) Co., Ltd. (the “**Company**”) dated 10 May 2021 in relation to the subscription of the shares of Shanghai KYMS Cloud Technology Co., Ltd. (the “**Announcement**”). Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated. This announcement is made to provide the following information regarding the Subscription.

BASIS OF DETERMINING THE SUBSCRIPTION PRICE

As stated in the Announcement, the Subscription Price was determined between the Subscriber and Shanghai KYMS after arm’s length negotiations and taking into account various factors including but limited to: (i) the overall economic environment; (ii) the prospect and the growth potential of Shanghai KYMS and the industry outlook; and (iii) financial conditions of Shanghai KYMS such as its net asset value per share, price-to-earnings ratio and price-to-book ratio.

The Subscription Price represents: (i) 55% premium over the 7.55% equity interest in Shanghai KYMS based on Shanghai KYMS’s market capitalisation of RMB132.6 million as at the date of the Subscription Agreement; and (ii) price-to-earnings ratio of 13.9 based on the audited net profit of Shanghai KYMS according to the audited financial statements of Shanghai KYMS for the year ended 31 December 2020 (“**Shanghai KYMS Annual Report**”). As shown in the Shanghai KYMS Annual Report, the net assets value of Shanghai KYMS as at 31 December 2020 was RMB117,756,233.22, and the number of Shanghai KYMS shares, which had taken into account the bonus shares issued to Shanghai KYMS shareholders in January 2021, was 48,036,583. Based on this information, the net assets value per Shanghai KYMS share was RMB2.45. As such, the Subscription Price per Subscription Share represents approximately 62% premium to the net asset value per Shanghai KYMS share.

The Board considered the Subscription Price is fair and reasonable to the Company after considered the following factors:

- (1) Shanghai KYMS conducted a placing of issuing 3,475,610 new shares in 2020 at a subscription price of RMB3.87 (ex-right). The Board considered the Subscription Price, which represented a slight increase of approximately 2% as compared with the placing conducted by Shanghai KYMS in 2020 is fair and reasonable due to the following reasons:
 - (a) The financial performance of Shanghai KYMS has been strong in the past few years. In particular, there was a strong growth in net profit of Shanghai KYMS for the year ended 31 December 2020, representing an increase of 728.49%, as compared with the previous year. With the geographic position of Shanghai KYMS's projects mainly located in Shanghai, Beijing and other convenient downtown areas with a few in the sub-central core areas, Shanghai KYMS has experienced strong growth in revenue as well as in its net assets value in the past years. Shanghai KYMS's revenue increased from RMB27 million for the year ended 31 December 2015 to RMB124.35 million for the year ended 31 December 2020, representing 3.6 times increase, and its net assets increased by more than 10 times from RMB10.56 million as at 31 December 2015 to RMB117.75 million as at 31 December 2020. Its gross profit margin was 24.48% with the average monthly occupancy rate of at least 90% for the year ended 31 December 2020. For the two years ended 31 December 2020, Shanghai KYMS generated net cash inflow from operating activities totalled of more than RMB123 million. The Board noted that Shanghai KYMS's monthly occupancy rate had gradually returned to the pre-coronavirus ("COVID-19") pandemic level during the second half of 2020. Based on the current leasing information provided by Shanghai KYMS during the due diligent process, the Board expected Shanghai KYMS will have further growth in revenue and net profit in 2021; and

- (b) the prospect and the growth potential of Shanghai KYMS and the industry outlook which are further elaborated as below.

Shanghai KYMS focuses on the provision of high-quality business centres in urban core areas, with a full range of services at competitive prices and targets small and micro enterprises with huge market and robust demand. According to the research report “*Investigation and analysis of tenant behavior and cognition in co-working industry in China from 2019 to 2020*” issued in February 2020 by iiMedia Research Group, the primary considerations for co-working office tenants in selecting brands in 2019 in China were location, rent, and convenient transportation, accounting for 40.0%, 36.7%, and 35.4% of the decisive factors, respectively. As Shanghai KYMS’s target customers are small and micro enterprises, most of them are in a period of rapid growth with great vitality, they are pursuing quality service and are sensitive to location and price. Given that the projects of Shanghai KYMS are mainly located in convenient downtown areas, and the prices it offered are competitive, the Board believes that Shanghai KYMS will have future growth prospects by having the competitive advantages in these areas.

Shanghai KYMS builds boutique business centers in the core urban area of the city through site selection, building renovation and product positioning by a professional and experienced team. Shanghai KYMS has a management team with strong professional background, which enables it to select quality properties as part of its properties portfolio for leasing out. Based on the information available to the Board, Shanghai KYMS management team has five members, four of them have more than 20 years of experience in real estate, office leasing, marketing commercial buildings or architectural design; one of them has more than 11 years of experience in securities and investment industry involving merger and reorganization.

Moreover, Shanghai KYMS focuses on refined management and adopts a business model, which is renting the entire building from state-owned enterprises and sub-leasing the property to individual small and micro enterprises. This business model would enable Shanghai KYMS to secure a stable supplies of the serviced offices, reduce costs and increase profitability. The Directors believe that the business model of Shanghai KYMS has strong core competitiveness and can adapt to the fierce market competition.

According to Huaon.com (華經情報網), the co-working office market has maintained a steady growth in China. Although it has been hit by the COVID-19 pandemic, the market size is still expected to continue to expand, reaching RMB227.35 billion in 2022. As the social recognition of the co-working office industry continually increases, new demands for corporate office services will be further released, and the potential customer base of the co-working offices industry will also be further expanded. With the improvement in the quality of products and services, market acceptance tends to rise and the industry market scale is expected to continue to grow in the future.

- (2) price-to-earnings of 13.9 (based on the Subscription Price over the profit of Shanghai KYMS for the year ended 31 December 2020) which is lower than other listed companies within the same industry. The Board noted that the price-to-earnings ratios for Shanghai Golden Union Commercial Management Company Ltd. (stock code: 603682) and Shanghai DOBE Cultural and Creative Industry Development (Group) Co., Ltd. (stock code: 300947), both listed on the Shanghai Stock Exchange, are 21.67 and 29.03 respectively. The serviced offices leasing industry is currently at an early stage of development and highly fragmented. Among the competitors of Shanghai KYMS, only Shanghai Golden Union Commercial Management Company Ltd. and Shanghai DOBE Cultural and Creative Industry Development (Group) Co., Ltd. are listed companies where public information is available for comparison analysis. Although the aforementioned competitors have different listing venues and are of different scale of operations from Shanghai KYMS, the Board considered that these companies could still serve as a general reference of the value of a company engaging in similar business.
- (3) Shanghai KYMS, being a company with shares listed on the National Equities Exchange and Quotation (basis market), its shares could only be traded by way of a private agreement or through closing auction trading session, so with the size of the Subscription Shares, the only way for the Company to acquire such shares is to go through a subscription of new shares with Shanghai KYMS. The Subscription Price is/will not be displayed or recorded on the trading system, but only disclosed in the announcement being published regarding the Subscription.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As stated in the Announcement that the Directors believe serviced offices leasing business will likely become a trend in China in the near future, the Subscription will provide an opportunity for the Group to participate in the serviced offices leasing industry and enable the Group to explore potential business cooperation opportunities. The Board wishes to supplement that as one of the Company's principal activities is factoring business, of which 22.22% of the revenues from this segment were contributed by property leasing industry. As a shareholder of Shanghai KYMS, the Company has an opportunity to participate in industry exchange conference, has access to periodic industry reports, has a right to nominate directors to the board of directors of Shanghai KYMS and participate in significant management decision-making of Shanghai KYMS in accordance with the articles of association of Shanghai KYMS, so to get a better understanding of the property leasing industry for further development of its factoring business. As such, the Board believes that the Subscription would allow the Company to have an in-depth understanding of the industry in this segment, grasp the industry dynamics and integrate channel resources, so that it can better access to customer resources in this industry in the future.

Further, as stated in the Announcement that the Directors noted that Shanghai KYMS recorded a strong growth in net profit for the year ended 31 December 2020. Having considered the historical financial performance of Shanghai KYMS, the current leasing information provided by Shanghai KYMS during the due diligent process and the information regarding Shanghai KYMS and the industry outlook as disclosed in this announcement, the Board expected that the growth trend will continue in the coming years. As such, the Subscription presented an investment opportunity to the Company, which offers the potential for greater profit in future.

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

Hong Kong, 31 May 2021

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

Executive Directors:

Mr. Li Peng (李鵬)

Mr. Weng Jianxing (翁建興)

Ms. Gong Xiaoting (貢曉婷)

Non-executive Directors:

Mr. Zhuang Wei (莊巍)

Mr. Peng Qilei (彭期磊)

Ms. Liu Jing (劉敬)

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 Listed Company Information” 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.