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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
COOPERATION FRAMEWORK AGREEMENTS
IN RELATION TO BASE STATION EQUIPMENT**

The Board is pleased to announce that on 15 March 2022, each of Subsidiary A and Subsidiary B entered into the respective Cooperation Framework Agreements with the Supplier, pursuant to which (i) Subsidiary A and Subsidiary B would purchase base station equipment from the Supplier at an aggregate purchase price of not exceeding RMB16,000,000 and RMB4,000,000 respectively; (ii) the Supplier would provide Subsidiary A and Subsidiary B site selection, installation and tuning services for the base station equipment; and (iii) Subsidiary A and Subsidiary B would engage the Supplier for the provision of maintenance and repair services in respect of the base station equipment.

As one applicable percentage ratio (as defined in the GEM Listing Rules) for the acquisitions of the base station equipment contemplated under the Cooperation Framework Agreements (on an aggregate basis) exceeds 5% but all of which are less than 25%, transactions contemplated under the Cooperation Framework Agreements 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 Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 March 2022, each of Subsidiary A and Subsidiary B entered into the respective Cooperation Framework Agreements with the Supplier, pursuant to which (i) Subsidiary A and Subsidiary B would purchase base station equipment from the Supplier at an aggregate purchase price of not exceeding RMB16,000,000 and RMB4,000,000 respectively; (ii) the Supplier would provide Subsidiary A and Subsidiary B site selection, installation and tuning services for the base station equipment; and (iii) Subsidiary A and Subsidiary B would engage the Supplier for the provision of maintenance and repair services in respect of the base station equipment. Further details of the Cooperation Framework Agreements are set out in the section headed “Cooperation Framework Agreements” below.

The Cooperation Framework Agreements are framework agreements which provide the mechanism for the transactions contemplated thereunder. Each of Subsidiary A and Subsidiary B will from time to time, and as required, enter into the Individual Agreements with the Supplier setting out the terms and conditions for the transactions to be conducted between each of Subsidiary A and Subsidiary B and the Supplier pursuant to the Cooperation Framework Agreements. Further details of the Individual Agreements are set out in the section headed “Individual Agreements” below.

COOPERATION FRAMEWORK AGREEMENTS

Subsidiary A Agreement

The principal terms of the Subsidiary A Agreement are summarised as follows:

Date:	15 March 2022
Parties:	Subsidiary A (as purchaser) The Supplier (as supplier)
Subject:	Subsidiary A would purchase base station equipment from the Supplier, and the Supplier would provide Subsidiary A base station equipment and related services including site selection, installation, tuning, maintenance and repair.

Term: For a term of ten (10) years commencing from 15 March 2022 and ending on 14 March 2032 (both days inclusive).

Contract sum: The aggregate amount of base station equipment to be purchased by Subsidiary A shall not exceed RMB16,000,000, which was determined after arm-length negotiations between Subsidiary A and the Supplier with reference to, among others, the market price of the base station equipment, number of base stations and estimated demand of telecommunications operators.

Subsidiary A and the Supplier will from time to time, and as required, enter into (i) the Individual Purchase Agreement in respect of the purchase of base station equipment; and (ii) the Individual Maintenance Agreement in respect of the maintenance and repair services for the base station equipment purchased under the Individual Purchase Agreement, for each base station.

The amount of the purchase price payable by Subsidiary A for the base station equipment under the Subsidiary A Agreement will be satisfied by the Group through its internal resources.

Other terms: In respect of the site selection service to be provided by the Supplier under the Subsidiary A Agreement, with the assistance of the Supplier, Subsidiary A would enter into the Lease Agreement(s) with the relevant Lessor(s).

Subsidiary B Agreement

The principal terms of the Subsidiary B Agreement are summarised as follows:

Date: 15 March 2022

Parties: Subsidiary B (as purchaser)

The Supplier (as supplier)

Subject: Subsidiary B would purchase base station equipment from the Supplier, and the Supplier would provide Subsidiary B base station equipment and related services including site selection, installation, tuning, maintenance and repair.

Term: For a term of ten (10) years commencing from 15 March 2022 and ending on 14 March 2032 (both days inclusive).

Contract sum: The aggregate amount of base station equipment to be purchased by Subsidiary B shall not exceed RMB4,000,000, which was determined after arm-length negotiations between Subsidiary B and the Supplier with reference to, among others, the market price of the base station equipment, number of base stations and estimated demand of telecommunications operators.

Subsidiary B and the Supplier will from time to time, and as required, enter into (i) the Individual Purchase Agreement in respect of the purchase of base station equipment; and (ii) the Individual Maintenance Agreement in respect of the maintenance and repair services for the base station equipment purchased under the Individual Purchase Agreement, for each base station.

The amount of the purchase price payable by Subsidiary B under the Subsidiary B Agreement will be satisfied by the Group through its internal resources.

Other terms: In respect of the site selection service to be provided by the Supplier under the Subsidiary B Agreement, with the assistance of the Supplier, Subsidiary B would enter into the Lease Agreement(s) with the relevant Lessor(s).

INDIVIDUAL AGREEMENTS

Individual Purchase Agreement

The principal terms of the Individual Purchase Agreement are summarised as follows:

- Parties:** Subsidiary A or Subsidiary B (as purchaser)
- The Supplier (as supplier)
- Subject:** The purchaser shall purchase base station equipment pursuant to the terms and conditions of the Individual Purchase Agreement, and the Supplier shall be responsible for the site selection of the base station, provision of the base station equipment, and installation and tuning of the base station equipment.
- Upon delivery and the trial testing of the base station equipment, the purchaser and the third party telecommunications operator shall conduct final inspection and accept the base station equipment within ten (10) business days.
- Payment of purchase price:** The purchase price for the base station equipment (including site selection, installation and tuning) for a base station shall be payable by the purchaser to the Supplier through bank transfer in the following manner:
- (i) a first instalment shall be payable upon signing of the Individual Purchase Agreement and the installation of the base station equipment for the selected site having been accepted by the purchaser; and

- (ii) the remaining amount shall be payable within ten (10) business days after the fulfilment of certain payment conditions, including (a) the purchaser (as lessor) having entered into the Operating Lease Agreement with a third party telecommunications operator (as lessee) in respect of the base station equipment; and (b) the purchaser having received from the Supplier a VAT invoice in respect of the base station equipment at a tax rate of 13% of the full purchase price.

If the purchaser fails to pay the purchase price to the Supplier in accordance with the Individual Purchase Agreement, the purchaser shall make default payment in the sum equivalent to the product of (i) the outstanding amount; (ii) a daily default rate of 0.3%; and (iii) the number of days from the payment due date to the full settlement date.

Indemnities:

The Supplier shall procure that the time elapsed between (i) the commencement date of the Lease Agreement(s) and (ii) the commencement date of the Operating Lease Agreement (the “**Time Difference**”) shall not exceed six (6) months for a base station.

If the Time Difference for a base station is more than six (6) months but less than nine (9) months, the Supplier shall bear 35% of the rent payable by the purchaser under the relevant Lease Agreement(s) for the period of the Time Difference for the base station.

If the Time Difference for a base station is nine (9) months or more, the Supplier shall bear 100% of the rent payable by the purchaser under the relevant Lease Agreement(s) for the period of the Time Difference for the base station.

If, within the first four (4) years of the Operating Lease Agreement, the base station is evicted from the site under the Lease Agreement(s), the Supplier shall compensate the purchaser based on the compensation amount (the “**Compensation Amount**”), which is determined as follow:

$$(A+B-C)-(D-E-F)$$

A = the amount of purchase price paid by the purchaser in respect of the base station equipment for the base station under the Individual Purchase Agreement

B = the aggregate amount of maintenance fees paid by the purchaser in respect of the base station equipment for the base station under the relevant Individual Maintenance Agreement

C = the aggregate amount of maintenance fees for the services that the Supplier has actually provided for the base station under the relevant Individual Maintenance Agreement

D = the aggregate amount of lease payment paid by the third party telecommunications operator to the purchaser under the relevant Operating Lease Agreement for the base station

E = the amount of lease payment returned by the purchaser to the third party telecommunications operator under the relevant Operating Lease Agreement for the base station

F = the aggregate amount of rent paid by the purchaser under the relevant Lease Agreement(s) for the base station

The amount of compensation payment to be paid by the Supplier to the purchaser in the event of eviction will be calculated as follows:

- (i) if the base station is evicted before the entering into of the Operating Lease Agreement or within the first year of the Operating Lease Agreement, the Supplier shall compensate the purchaser in the sum equivalent to 100% of the Compensation Amount;
- (ii) if the base station is evicted within the second year of the Operating Lease Agreement, the Supplier shall compensate the purchaser in the sum equivalent to 80% of the Compensation Amount;
- (iii) if the base station is evicted within the third year of the Operating Lease Agreement, the Supplier shall compensate the purchaser in the sum equivalent to the 60% of the Compensation Amount;
- (iv) if the base station is evicted within the fourth year of the Operating Lease Agreement, the Supplier shall compensate the purchaser in the sum equivalent to 30% of the Compensation Amount.

Upon entering into the fifth year of the Operating Lease Agreement, the Supplier will no longer be obliged to compensate the purchaser in the event of eviction, and all expenses and losses shall be borne by the purchaser.

Individual Maintenance Agreement

The principal terms of the Individual Maintenance Agreement are summarised as follows:

- Parties:** Subsidiary A or Subsidiary B (as service receiver)
- The Supplier (as service provider)
- Subject:** The service provider shall provide maintenance and repair services for the base station equipment that conform with the requirements of the respective third party telecommunications operator under the relevant Operating Lease Agreement for each base station. The maintenance and repair services include, without limitation, (i) daily inspection and safety inspection of base station equipment, including base station tower, communication poles, server room, external power cords; (ii) routine maintenance and repair of base station equipment and ancillary facilities, including minor repairs and replacement of door accessories and power switches; (iii) overhaul of the major components and parts of the base station and the ancillary facilities; (iv) emergency repair; and (v) quarterly or semi-annual inspection of the base station.
- Term:** The Individual Maintenance Agreement shall commence on the date on which the base station is delivered to the third party telecommunications operator pursuant to the relevant Operating Lease Agreement, and shall end on the same date on which the relevant Operating Lease Agreement for the relevant base station expires.

Payment of maintenance fee:

The maintenance fee in respect of each base station shall be payable by the service receiver commencing from the second year of the relevant Operating Lease Agreement, which will be calculated based on the following formula:

$$(A-B)*C-(D*35\%)$$

A = the annual lease payment (inclusive of VAT) receivable by the service provider from the third party telecommunications operator under the relevant Operating Lease Agreement of the base station

B = the annual rent (inclusive of VAT) payable by the service receiver to the lessee(s) under the relevant Lease Agreement(s)

C = (i) for the second to fourth year of the relevant Operating Lease Agreement, the corresponding ratio of 10% each year; or (ii) for the fifth to tenth year of the relevant Operating Lease Agreement, the corresponding ratio of 35% each year, for the base station

D = the overhaul project costs shared by the base station (if any)

Conditional upon receiving a VAT invoice from the service provider in respect of the maintenance fee at a tax rate of 6%, the service receiver shall make payment for the maintenance fee within the following month after it receives lease payment from the third party telecommunications operator under the relevant Operating Lease Agreement for the base station.

If the service receiver fails to pay the maintenance fee to the service provider in accordance with the Individual Maintenance Agreement, the service receiver shall make default payment in the sum equivalent to the product of (i) the amount payable; (ii) a daily default rate of 0.5%; and (iii) the number of days from the payment due date to the full settlement date.

Renewal:

Upon expiry of the Individual Maintenance Agreement, in the case if the service receiver and the third party telecommunications operator renew the relevant Operating Lease Agreement, the service receiver shall continue to engage the Supplier for the maintenance of the base station and renew the Individual Maintenance Agreement at the same rate of maintenance fee as in the last year of the Individual Maintenance Agreement for the same period as the relevant renewed Operating Lease Agreement.

LEASE AGREEMENTS

In respect of the site selection service to be provided by the Supplier under the Cooperation Framework Agreements for each base station selected, with the assistance of the Supplier, Subsidiary A or Subsidiary B (as the case may be) (as lessee) would each enter into the Lease Agreement(s) with the respective Lessor(s).

It is expected that all the Lessor(s) and their respective ultimate beneficial owner(s) are/to be Independent Third Parties, which shall lease the site as specified in the Lease Agreement(s) to the lessee for the purpose of installation of base station equipment and permit the lessee to sub-lease the site to a third party telecommunications operator. If any Lessor is a connected person of the Company as defined under the GEM Listing Rules, the Company will comply with the relevant requirements under the GEM Listing Rules when enter into such Lease Agreement(s).

It was expected that all the applicable percentage ratios for the Lease Agreement(s) would be less than 5%. Accordingly, the entering into of the Lease Agreement(s) would not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules.

OPERATING LEASE AGREEMENT

Subsidiary A or Subsidiary B (as the case may be) would enter into an operating lease agreement with a third party telecommunications operator from time to time in relation to the lease of base station equipment for each base station.

It is expected that each of the third party telecommunications operator and its ultimate beneficial owner(s) is/to be Independent Third Parties. If any third party telecommunications operator is a connected person of the Company as defined under the GEM Listing Rules, the Company will comply with the relevant requirements under the GEM Listing Rules when enter into the Operating Lease Agreement.

It was expected that the Operating Lease Agreement for each base station would not have a significant impact on the Group's operation. Accordingly, the entering into of the Operating Lease Agreement would not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As disclosed in the 2021 interim report of the Company, the Group is committed to actively explore profit model innovation and potential investment opportunities, continue to improve profitability, and move forward steadily. The leasing of the 5G base stations to telecommunications operators through the signing of the Cooperative Framework Agreements, the Lease Agreements and the Operating Lease Agreements is an expansion of the Group's existing leasing business to cover 5G base stations in the form of operating lease arrangement. As the construction of infrastructure in the PRC has been progressing steadily with an increased emphasis on new digital infrastructure, it is envisaged that the 5G penetration rate will continue to increase. 5G technologies have broadly been applied across industries, accelerating the construction and rollout of telecommunications infrastructure. The telecommunications operators in PRC are actively building telecom base stations in recent years, and continually increased the capital investment in 5G base station construction. In 2021, three telecommunications operators in the PRC estimated to have invested over RMB180 billion in 5G network development in the PRC, representing an increase of approximately 5.1% over the year before.

The downstream consumers of the base station equipment to be acquired by the Group through the Cooperation Framework Agreements are reputable state-owned telecommunications operators who are the leading participants in the 5G industry with high credibility, the entering into the Cooperation Framework Agreements will enable the Group to cooperate, through the Operating Lease Agreement, with these telecommunications operators and to provide a stable income source for the Group. The Directors consider that the entering into of the Cooperation Framework Agreements will provide an opportunity for the Group to participate in the emerging 5G network industry and further develop its business by tapping into the 5G-related leasing industry in the PRC. The Board expects that the Cooperation Framework Agreements will enable the Group to expand its business portfolio, explore business opportunities and diversify its income source.

Given that the Cooperation Framework Agreements were entered into after arm's length negotiation and on normal commercial terms, the Directors are of the view that the terms of the Cooperation Framework Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

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

Subsidiary A and Subsidiary B

Each of Subsidiary A and Subsidiary B is a company established in the PRC with limited liability and principally engaged in leasing of communication equipment. As at the date of this announcement, both Subsidiary A and Subsidiary B are indirectly owned as to 51% by the Company.

Supplier

The Supplier is a company established in the PRC with limited liability and principally engaged in the provision of telecommunications value-added services, telecommunications construction, design and maintenance, and the sales of communications equipment. As at the date of this announcement, the Supplier is owned as to 50% by Cai Yutang (蔡宇棠) and Xie Xuhui (謝旭輝).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Supplier and its ultimate beneficial owner are Independent Third Parties.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one applicable percentage ratio (as defined in the GEM Listing Rules) for the acquisitions of the base station equipment contemplated under the Cooperation Framework Agreements (on an aggregate basis) exceeds 5% but all of which are less than 25%, transactions contemplated under the Cooperation Framework Agreements 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 Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“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 GEM
“Cooperation Framework Agreements”	the Subsidiary A Agreement and the Subsidiary B Agreement
“Directors”	the directors of the Company

“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 subscribed for and traded in Hong Kong dollars and are listed on GEM
“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
“Individual Agreements”	the Individual Purchase Agreement and the Individual Maintenance Agreement
“Individual Maintenance Agreement”	the individual maintenance agreement to be entered into by Subsidiary A or Subsidiary B (as the case may be) with the Supplier from time to time, and as required, in relation to the maintenance and repair of base station equipment for each base station
“Individual Purchase Agreement”	the individual purchase agreement to be entered into by Subsidiary A or Subsidiary B (as the case may be) with the Supplier from time to time, and as required, in relation to the purchase of base station equipment for each base station
“Lease Agreement(s)”	the lease agreement(s) to be entered into by Subsidiary A or Subsidiary B (as the case may be) with the Lessor(s) from time to time, and as required, in respect of the lease of selected site for the relevant base station equipment

“Lessor(s)”	the lessor(s) under the Lease Agreement(s)
“Operating Lease Agreement”	the operating lease agreement to be entered into by Subsidiary A or Subsidiary B (as the case may be) with a third party telecommunications operator from time to time in relation to the lease of base station equipment at each base station
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) with nominal value of RMB1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary A”	Guangdong Yideng Engineering Construction Co., Ltd.* (廣東壹登工程建設有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Subsidiary A Agreement”	the cooperation framework agreement dated 15 March 2022 entered into between Subsidiary A and the Supplier
“Subsidiary B”	Shenzhen Huixin Zhida Technology Co., Ltd.* (深圳匯信致達科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Subsidiary B Agreement”	the cooperation framework agreement dated 15 Mach 2022 entered into between Subsidiary B and the Supplier
“Supplier”	Guangdong Yuanfan Communication Technology Co., Ltd.* (廣東源帆通訊科技有限公司), a company established in the PRC with limited liability

“VAT” Value-added tax

“%” per cent.

On behalf of the Board
FY Financial (Shenzhen) Co., Ltd.
Li Peng
Chairman

Hong Kong, 15 March 2022

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. Peng Qilei (彭期磊)

Ms. Liu Jing (劉敬)

Ms. Tong Fangyan (仝芳妍)

Independent non-executive Directors:

Mr. Fung Che Wai Anthony (馮志偉)

Mr. Hon Leung (韓亮)

Mr. Liu Shengwen (劉升文)

If there is any inconsistency between the Chinese names of the entities, companies or legal entities incorporated in the PRC mentioned in this announcement 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.

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 purpose only*