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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
FORMATION OF A JOINT VENTURE**

The Board is pleased to announce that on 12 April 2022, FY Yunlian (a wholly-owned subsidiary of the Company), Mr. Zheng, Ningbo Airport and Nanjing Anshi entered into the JV Agreement, pursuant to which the Parties have agreed to establish a joint venture company in the PRC.

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the formation of the JV Company is more than 5% but all of which are less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 12 April 2022, FY Yunlian (a wholly-owned subsidiary of the Company), Mr. Zheng, Ningbo Airport and Nanjing Anshi entered into the JV Agreement, pursuant to which the Parties have agreed to establish a joint venture company in the PRC.

JV AGREEMENT

The principal terms of the JV Agreement are summarised below:

Date

12 April 2022

Parties

- (1) FY Yunlian
- (2) Mr. Zheng
- (3) Ningbo Airport
- (4) Nanjing Anshi

Business of the JV Company

Subject to registration with relevant regulatory authority(ies), the principal business of the JV Company will include, without limitation, research and development and design in commercial energy storage systems, system integration and sales of commercial energy storage systems and provision of after-sales maintenance and other energy related value-added services (the “**JV Business**”).

Nanjing Anshi shall be responsible for research and development and design in commercial energy storage systems, system integration, business development and operating management of the JV Company and provision of after-sales maintenance services.

Capital Contributions

The JV Company will be an equity joint venture company to be established in the PRC with a registered capital of RMB22,000,000. Pursuant to the JV Agreement, the Parties agreed to make capital contributions to the registered capital of the JV Company during its initial stage of development (the “**Initial Stage**”) in the following manner:

Party	Capital contribution by each Party (RMB)	Percentage of equity interest in the JV Company
FY Yunlian	13,200,000	60%
Mr. Zheng	3,960,000	18%
Ningbo Airport	2,640,000	12%
Nanjing Anshi	2,200,000	10%
	<u>22,000,000</u>	<u>100%</u>

The amount of the registered capital and the capital contributions of each Party to the JV Agreement was determined after arm’s length negotiations between the Parties with reference to the JV Company’s estimated funding needs.

The capital contribution to be made by FY Yunlian is expected to be funded by the Group through its internal resources.

Following its establishment, the JV Company will be held as to 60% by FY Yunlian and the financial results of the JV Company will be consolidated into the accounts of the Group.

Shareholding Structure

Pursuant to the JV Agreement, subject to the fulfilment of the performance targets of the JV Company for each of the years ending 2022, 2023 and 2024 (the “**Performance Targets**”, each a “**Performance Target**”) (details as described below) and the conditions precedent set out below each of FY Yunlian, Mr. Zheng and Ningbo Airport agreed to transfer certain portion of their respective equity interests in the JV Company to Nanjing Anshi in the following manner:

- (1) Upon fulfilment of the Performance Target of the net profit after tax of not less than 0 for the year ending 2022, FY Yunlian, Mr. Zheng and Ningbo Airport shall, in proportion to their respective percentage of equity interest in the JV Company, collectively transfer in aggregate 10% of the equity interest in the JV Company to Nanjing Anshi at a transfer price of 1.2 times the corresponding amount of registered capital (the “**First Transfer**”);
- (2) Upon fulfilment of the Performance Target of the growth in net assets value of not less than 20% for the year ending 2023 comparing the net assets value of the JV Company as at 31 December 2023 with that of 31 December 2022 (excluding the change in the net assets value resulting from further capital contribution to the JV Company (if any)), FY Yunlian, Mr. Zheng and Ningbo Airport shall, in proportion to their respective percentage of equity interest in the JV Company, collectively transfer in aggregate 10% of the equity interest in the JV Company to Nanjing Anshi at a transfer price of 1.3 times the corresponding amount of registered capital (the “**Second Transfer**”); and
- (3) Upon fulfilment of the Performance Target of the growth in net assets value of not less than 20% for the year ending 2024 comparing the net assets value of the JV Company as at 31 December 2024 with that of 31 December 2023 (excluding the change in the net assets value resulting from further capital contribution to the JV Company (if any)), FY Yunlian, Mr. Zheng and Ningbo Airport shall, in proportion to their respective percentage of equity interest in the JV Company, collectively transfer in aggregate 9% of the equity interest in the JV Company to Nanjing Anshi at a transfer price of 1.4 times the corresponding amount of registered capital (the “**Third Transfer**”).

The Performance Targets shall be determined in accordance with the financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance.

Each of the First Transfer, the Second Transfer and the Third Transfer is conditional upon the following conditions precedent:

- (a) the Group having complied with the relevant requirements under the GEM Listing Rules and all applicable laws and regulations regarding the disposal of the JV Company by the Group in respect of each of the First Transfer, the Second Transfer and the Third Transfer; and
- (b) the capital contribution during the Initial Stage to be made by Nanjing Anshi having been fully paid.

The following table illustrates the shareholding structure of the JV Company at the Initial Stage and immediately upon completion of the First Transfer, the Second Transfer and the Third Transfer (subject to the fulfilment of the Performance Targets and conditions precedent set out above):

	Initial Stage	Immediately upon completion of the First Transfer	Immediately upon completion of the Second Transfer	Immediately upon completion of the Third Transfer
FY Yunlian	60%	53.336%	46.669%	40.669%
Mr. Zheng	18%	16%	14%	12.2%
Ningbo Airport	12%	10.664%	9.331%	8.131%
Nanjing Anshi	10%	20%	30%	39%
	100%	100%	100%	100%

The transfer price for each of the First Transfer, the Second Transfer and the Third Transfer was determined after arm's length negotiations between the Parties taking into consideration the prospect of the JV Company, the contribution of Nanjing Anshi which would help the JV Company achieving a break-even position within a year and the subsequent minimum net asset growth rate of the JV Company as agreed amongst the Parties.

Ownership of the JV Company

The Parties, as holders of equity interests in the JV Company, shall be entitled to rights of equity holders in proportion to their respective equity interests in accordance with applicable laws and the articles of association of the JV Company.

Management of the JV Company

The board of directors of the JV Company shall consist of five (5) directors to be elected by the equity holders at a general meeting, among which, FY Yunlian shall nominate the chairman of the board of directors of the JV Company and two (2) directors, whereas Mr. Zheng and Nanjing Anshi shall nominate one (1) director each.

The JV Company shall have one (1) supervisor to be elected by the equity holders at a general meeting.

The general manager of the JV Company shall be appointed by the board of directors of the JV Company from among candidates as nominated by Nanjing Anshi. The management team of the JV Company shall be formed by the general manager so appointed, and shall report to the board of directors of the JV Company.

Officers responsible for human resources, finance and internal audit of the JV Company shall be appointed by FY Yunlian.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The energy storage industry has developed rapidly in China due to the supporting industrial policies. The instructive guidelines ranging from “guiding opinions” to “action plans”, as well as the specific working deployments, provide policy support for the development of the energy storage industry in China.

Year 2017 was the beginning for the development of energy storage industry in China. The release of the Guiding Opinions on the Promotion of Development of Energy Storage Technology and Industry (the “**Opinions**”) provided favorable support for China’s energy storage industry. The Opinions specified the two-step strategy of China’s energy storage industry, firstly to realize the preliminary transition from energy storage research and development (“**R&D**”) demonstration to commercialization during the “13th Five-Year Plan” period, and secondly to achieve the scale development of the energy storage industry, which gives full play to the role of energy storage in the energy reform and internet development in the “14th Five-Year Plan” period.

In February 2022, the release of the Implementation Plan for the Development of New Energy Storage (the “**Plan**”) in the 14th Five-Year Plan period served as another impetus to the development of China’s energy storage industry. The Plan pointed out that, by 2025, the new energy storage should enter into the scale development from the initial period of commercialization with conditions for the large-scale commercialized application. Specifically, the technical performance of the electrochemical energy storage will be further enhanced, and the system cost will be reduced by over 30%, so as to accelerate the high-quality scale development of novel energy storage.

As at the end of 2020, the accumulative installed capacity of the electrochemical energy storage that had been put into operation reached 3,270,000 kilowatts (“**kW**”) with a year-on-year increase of 91.2%, among which, the accumulative installed capacity of lithium-ion battery reached 2,900,000 kW, accounting for 88.8% of the total installed capacity of the electrochemical energy storage. In 2020, China increased 1,560,000 kW of electrochemical energy storage, 2.4 times of the newly increased capacity in 2019, showing the momentum of rapid growth.

Due to factors such as limitation of high energy consumption, electrovalence policy, periodic power supply limitation and cost reduction of energy storage, customers have realized the actual value of energy storage and substantially changed their attitudes towards the energy storage system. The demands of domestic economically developed regions (represented by Guangdong, Jiangsu and Zhejiang), numerous central enterprises, state-owned enterprise groups, industrial and commercial users, and industrial parks for the procurement and application of the energy storage system are growing rapidly. Regional procurement subsidies and incentive policies for the energy storage projects have been launched in the aforesaid regions.

In view of the above, the Directors believe the JV Business will likely become a trend in China in the near future, the establishment of the JV Company will provide an opportunity for the Group to participate in the energy storage industry and enable the Group to explore potential finance lease customers in the JV Business. The principal business of JV Company includes sales of commercial energy storage systems. As such, if the customers of the JV Company choose to use finance lease for the acquisition of the energy storage systems, the Group would be able to provide suitable financing solutions for these customers in order to capture more business opportunities.

The management team of Nanjing Anshi (includes the three owners of Nanjing Anshi) has four core members with over 15 years' experience in the power and energy storage industry. All the core members worked in the state-owned enterprises or listed companies, and have been engaging in the energy storage business, so their experience in the technology R&D and market exploration will play an important role in the future business development of the JV Company. The management team has participated in and implemented 33 large-scale energy storage projects, and served customers including 5 listed companies, 12 state-owned enterprises, 2 government projects and other 14 large-scale enterprises. The management team has proactively conducted preliminary marketing with large-scale enterprises including Sinopec Jiangsu Branch, Zhejiang Communications Holdings Group and Huazhu Group regarding the JV Business.

Based on the extensive industry experience of Nanjing Anshi and its proven track record in energy projects implementation and the promising industry outlook, the Board expects significant growth for the JV Company in the coming years, which offers the potential for greater profit in the future.

The Company will comply with all applicable requirements under the Listing Rules in relation to the First Transfer, the Second Transfer and the Third Transfer if and when the Performance Targets are met.

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

INFORMATION ON THE PARTIES

The Group and FY Yunlian

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.

FY Yunlian is a company established in the PRC with limited liability principally engaged in investment activities and asset management. FY Yunlian is a wholly-owned subsidiary of the Company.

Mr. Zheng

Mr. Zheng is Mr. Zheng Deqing, a PRC national.

Ningbo Airport

Ningbo Airport is a company established in the PRC with limited liability and principally engaged in import and export agency of goods and foreign trade. As at the date of this announcement, Ningbo Airport is collectively owned as to approximately 49.55% by various governments of the PRC, 47.20% by Ningbo Shanshan Co. Ltd (a company listed on the Shanghai Stock Exchange with stock code: 600884), and 3.25% by eleven individuals through a limited partnership established in the PRC.

Nanjing Anshi

Nanjing Anshi is a limited partnership established in the PRC and principally engaged in provision of consultation and management services in enterprise management, information management and brand management. As at the date of this announcement, Nanjing Anshi is owned as to 80% by Sun Feng (孫鋒), 10% by Song Ya (宋亞) and 10% by Wang Xu (王敘).

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Mr. Zheng, Ningbo Airport and Nanjing Anshi and/or their respective ultimate beneficial owner(s) is an Independent Third Party.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the formation of the JV Company is more than 5% but all of which are less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction for the Company and is therefore 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
“Directors”	the directors of the Company
“FY Yunlian”	Zhuhai Fuyin Yunlian Investment Management Co., Ltd.* (珠海富銀雲聯投資管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“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
“JV Agreement”	the investment framework agreement dated 12 April 2022 and entered into between the Parties in relation to the formation of the JV Company
“JV Company”	a company to be established in the PRC with limited liability pursuant to the JV Agreement, the proposed name of which is Jiangsu Anshi Commercial Energy Storage System Co., Ltd.* (江蘇安時商用儲能系統有限公司)
“Mr. Zheng”	Zheng Deqing (鄭德清)
“Nanjing Anshi”	Nanjing Anshi Energy Management Consulting Partnership (Limited Partnership)* (南京安時能量管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC
“Ningbo Airport”	Ningbo Airport Logistics Development Co., Ltd.* (寧波空港物流發展有限公司), a company established in the PRC with limited liability
“Parties”	FY Yunlian, Mr. Zheng, Ningbo Airport and Nanjing Anshi, and “Party” means any one of them
“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

“%”

per cent.

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

Hong Kong, 12 April 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 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 purpose only*