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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 AND CONNECTED TRANSACTION IN RELATION TO THE FACTORING AGREEMENT**

### **THE FACTORING AGREEMENT**

On 3 July 2023, the Company entered into the Factoring Agreement with Longding Huayuan, pursuant to which the Company has agreed to provide accounts receivable factoring service for Longding Huayuan with a factoring principal amount of up to RMB27,000,000 for a term of two years commencing from the Effective Date.

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

As Longding Huayuan is a connected person of the Company, and as one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Factoring Agreement, on a stand-alone basis, exceed 5% but all of which are less than 25%, the transaction contemplated under the Factoring Agreement constitutes a discloseable and connected transaction for the Company. As the transaction contemplated under the Factoring Agreement requires aggregation with the previous transactions under the Longding Huayuan Agreements and the Dayuan Tiandi Factoring Agreement, and as one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Aggregated Agreements exceed 25% but all of which are less than 75%, the transaction under the Factoring Agreement would remain a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules on an aggregated basis.

Nonetheless, as the Longding Huayuan Agreements and the transactions contemplated thereunder were major and connected transactions at the material time and had complied with all applicable requirements under the GEM Listing Rules including reporting, announcement, circular and Independent Shareholders' approval, the Factoring Agreement and the transaction contemplated thereunder are only subject to the relevant requirements for a discloseable and connected transaction under Chapters 19 and 20 of the GEM Listing Rules including reporting, announcement, circular and Independent Shareholders' approval.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Factoring Agreement. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **GENERAL**

The EGM will be convened and held to consider, if thought fit, to approve the ordinary resolution in relation to the Factoring Agreement and the transaction contemplated thereunder by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the GEM Listing Rules.

A circular containing, among other things, further details about the Factoring Agreement, letters from the Independent Board Committee and the Independent Financial Adviser, a notice convening the EGM and other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 24 July 2023.

## **THE FACTORING AGREEMENT**

On 3 July 2023, the Company entered into the Factoring Agreement with Longding Huayuan, pursuant to which the Company has agreed to provide accounts receivable factoring service for Longding Huayuan with a factoring principal amount of up to RMB27,000,000, in return for (i) factoring interest income; and (ii) transfer of the legal title of accounts receivables created in the ordinary and usual course of business of Longding Huayuan with its customer(s) (i.e. debtor(s) of Longding Huayuan) from Longding Huayuan to the Company for a term of two years commencing from the Effective Date.

If there is any event of default of the terms of the Factoring Agreement, the Company may exercise its right of recourse and demand for repurchase of the accounts receivables by Longding Huayuan. In such event, Longding Huayuan shall be liable to pay the factoring expenses, default compensation and the outstanding factoring principal amount to the Company.

The principal terms of the Factoring Agreement are set out as follows:

Date of agreement:	3 July 2023
Parties:	The Company (as factor)  Longding Huayuan (as seller)
Type of facility:	One-off and with recourse
Financing term:	A term of two years commencing from the Effective Date (or of a term until the date on which the factoring principal amount and factoring expenses are fully settled, whichever is the later but in any event will not be later than the second anniversary of the Effective Date).
Transfer of accounts receivables:	Subject to the terms and conditions of the Factoring Agreement, the accounts receivables of Longding Huayuan as referred to in the underlying transaction documents entered into between the parties pursuant to the Factoring Agreement shall be assigned to the Company.
Factoring principal amount:	A maximum amount of up to RMB27,000,000 (the “ <b>Factoring Limit</b> ”).  The factoring principal amount will be calculated by the aggregate amount of accounts receivables to be assigned to the Company times the factoring ratio in accordance with the terms of the Factoring Agreement and, in any event, shall not exceed the Factoring Limit.
Payment of factoring principal amount:	Subject to the satisfaction of the terms and conditions as set out in the Factoring Agreement, the Company shall pay the factoring principal amount to Longding Huayuan. The payment shall represent the accounts receivables being assigned to the Company times the factor ratio, in accordance with the terms of such agreement and, in any event, shall not exceed the Factoring Limit.

Factoring ratio: The factoring ratio, which represents the ratio of the maximum factoring principal amount to the accounts receivables being assigned, under the Factoring Agreement shall not exceed 80%.

Factoring interest: The factoring interest shall be calculated based on the following formula:

$$\frac{A \times B}{360} \times C$$

A = the outstanding balance of the factoring principal amount

B = the interest rate of 10% per annum

C = the actual number of days of the advancement

The factoring interest under the Factoring Agreement shall be payable by Longding Huayuan to the Company on a monthly basis pursuant to the terms of the Factoring Agreement and the underlying transaction documents entered into between the parties pursuant to the Factoring Agreement.

Repayment of the factoring principal amount: The factoring principal amount is repayable in full on or before the second anniversary of the Effective Date pursuant to the terms and conditions of the Factoring Agreement and the underlying transaction documents entered into between the parties.

Factoring expenses: The factoring expenses comprise (i) the factoring interest; (ii) the default interest in respect of the outstanding factoring principal amount and the factoring interest due but not repaid; and (iii) other expenses incurred by the Company in the course of rendering the accounts receivable factoring services and shall be payable by Longding Huayuan pursuant to the terms of the Factoring Agreement.

Condition Precedent: The Factoring Agreement shall be conditional upon the Independent Shareholders' approval having been obtained in accordance with the Company's constitutional documents and the GEM Listing Rules.

Repurchase:

The Company shall be entitled to demand Longding Huayuan to immediately and unconditionally repurchase the outstanding amount of accounts receivables being transferred to the Company, repay the outstanding factoring principal amount and pay the factoring expenses in the event that any of the triggering events as stipulated in the Factoring Agreement occurs, including but not limited to the following major triggering events:

- (i) Longding Huayuan has commercial dispute with its debtor(s) in respect of the underlying contract(s);
- (ii) the Company being unable to receive the timely payment in full of the accounts receivables by the debtor(s) of Longding Huayuan as a result of the credit risk of the debtor(s) of Longding Huayuan;
- (iii) Longding Huayuan waiving or offsetting the payment of the accounts receivables transferred to the Company without giving notice to the Company;
- (iv) the debtor(s) of Longding Huayuan being merged, divided, reorganised, the assets of the debtor(s) of Longding Huayuan being transferred, the fund of the debtor(s) of Longding Huayuan being misappropriated, the business operation of the debtor(s) of Longding Huayuan being ceased or suspended, etc., which has adverse effect to the repayment of the accounts receivables;
- (v) the debtor(s) of Longding Huayuan being involved or possibly involved in any major economic dispute, litigation or arbitration;
- (vi) the debtor(s) of Longding Huayuan selling, leasing, transferring or otherwise disposing of its major assets, or the entire or substantial part of its assets; and

(vii) such other circumstances which the Company deems appropriate for Longding Huayuan to repurchase the outstanding amount of the accounts receivables.

Guarantee: Mr. Gong Liang (貢亮) entered into a guarantee in favour of the Company in respect of all debt payable by Longding Huayuan to the Company under the Factoring Agreement.

The provision of factoring facility by the Company under the Factoring Agreement will be financed by the internal resources of the Group.

## **PREVIOUS TRANSACTIONS**

Prior to entering into the Factoring Agreement, the Company has entered into the Longding Huayuan Agreements pursuant to which the Company would purchase the lease assets from Longding Huayuan at an aggregate consideration of RMB72,000,000 and the Company would lease the lease assets to Longding Huayuan for a term of 36 months in return for lease payment. Details of the Longding Huayuan Agreements are set out in the announcement of the Company dated 17 August 2020 and the circular of the Company dated 25 September 2020. As at the date of this announcement, the outstanding amount due from Longding Huayuan to the Company under the Longding Huayuan Agreements was RMB2,164,000 (after deducting the security deposit of RMB7,200,000 paid by Longding Huayuan).

In addition, the Company has entered into the Dayuan Tiandi Factoring Agreement with Dayuan Tiandi pursuant to which the Company has agreed to provide accounts receivable factoring service for Dayuan Tiandi with a factoring principal amount of RMB7,950,000. Details of the Dayuan Tiandi Factoring Agreement are set out in the announcement of the Company dated 28 April 2023. As at the date of this announcement, the outstanding amount due from Dayuan Tiandi to the Company was RMB7,950,000.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Factoring Agreement would enable the Group to earn factoring interest income. The terms of the Factoring Agreement were agreed between the Company and Longding Huayuan after arm's length negotiations between the parties and are on normal commercial terms with reference to other comparable transactions the Group conducted with the Independent Third Parties, the lending capacity of the Company, the credit assessment on Longding Huayuan and the outstanding amount of accounts receivables to be assigned to the Company by Longding Huayuan.

The Group has been providing sales and leaseback services to Longding Huayuan since 2020. In performing the credit assessment on Longding Huayuan for the purpose of the Factoring Agreement, the Group has taken into account the historical transactions conducted with Longding Huayuan, and its settlement record and noted that Longding Huayuan has always made payments under the relevant agreement with good repayment history. The Company has also critically assessed the quality of the accounts receivables of Longding Huayuan by taking into consideration that the Factoring Agreement is with recourse and with a guarantee provided by the guarantor, the business that the debtors of the related accounts receivables under the Factoring Agreement are engaged in, the due diligence and credit assessment conducted on Longding Huayuan by the business department and the risk management department of the Company in accordance with the Group's internal assessment policy, as well as relevant assessments including Longding Huayuan's management team, financial position, credit records, verification of the authenticity of the accounts receivable, verification of the performance and payment ability of the debtors of the accounts receivable, and their business operations, and future prospects, all of which are with satisfactory results. After applying the set of criteria that the Group uses to assess the likelihood of repayment by the borrower and the collectability of principal and interest, the Company considers that the credit assessment of Longding Huayuan is satisfactory, and that the credit risk on the Factoring Agreement is relatively low.

As Ms. Gong Xiaoting, being an executive Director, is the daughter of Mr. Gong Liang who owns 45% equity interest in Dayuan Tiandi while Mr. Peng Qilei and Ms. Liu Jing, being the non-executive Directors, serve as the management at Dayuan Tiandi and various related companies of Dayuan Tiandi, they have abstained from voting on the Board resolution in relation to the transaction contemplated under the Factoring Agreement. Save as disclosed above, none of the other Directors are deemed to have a material interest in the transaction contemplated under the Factoring Agreement and, hence they are not required to abstain from voting on the Board resolution in relation to such transaction.

Since the provision of factoring services is one of the main activities of the Group, and given reasons above, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the Independent Financial Adviser and excluding the interested Directors) are of the view that the entering into of the Factoring Agreement is in the ordinary and usual course of business of the Company and will generate revenue and cashflow stream from the factoring interest received and the terms of the Factoring Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services, the supply of medical equipment, 5G base station business and energy storage business in the PRC.

## **INFORMATION ON LONGDING HUAYUAN**

Longding Huayuan is a company established in the PRC with limited liability and is principally engaged in real estate development. Based on public information available, as at the date of this announcement, Longding Huayuan 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 Longding Huayuan 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.

## **AGGREGATION OF TRANSACTIONS**

Reference is made to the announcements of the Company dated 17 August 2020 and 28 April 2023 in relation to the Longding Huayuan Agreements and the Dayuan Tiandi Factoring Agreement, respectively. As at the date of this announcement, Dayuan Tiandi is a substantial shareholder of the Company. As Longding Huayuan is owned as to 90% by Dayuan Tiandi, Longding Huayuan is therefore a connected person of the Company. Given that the Longding Huayuan Agreements, the Dayuan Tiandi Factoring Agreement and the Factoring Agreement with Longding Huayuan are entered into by the Company with parties connected with one another, the transaction contemplated under the Factoring Agreement is required to be aggregated with the previous transactions under Longding Huayuan Agreements and the Dayuan Tiandi Factoring Agreement pursuant to Rules 19.22, 19.23, 20.79 and 20.80 of the GEM Listing Rules.



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

As Longding Huayuan is a connected person of the Company, and as one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Factoring Agreement, on a stand-alone basis, exceed 5% but all of which are less than 25%, the transaction contemplated thereunder constitutes a discloseable and connected transaction for the Company. As the transaction contemplated under the Factoring Agreement requires aggregation with the previous transactions under the Longding Huayuan Agreements and the Dayuan Tiandi Factoring Agreement, and as one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Aggregated Agreements exceed 25% but all of which are less than 75%, the transaction under the Factoring Agreement would remain a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules on an aggregated basis.

Nonetheless, as the Longding Huayuan Agreements and the transactions contemplated thereunder were major and connected transactions at the material time and had complied with all applicable requirements under the GEM Listing Rules including reporting, announcement, circular and Independent Shareholders' approval, the Factoring Agreement and the transaction contemplated under the Factoring Agreement are only subject to the relevant requirements for a discloseable and connected transaction under Chapters 19 and 20 of the GEM Listing Rules including reporting, announcement, circular and Independent Shareholders' approval.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Factoring Agreement. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

The EGM will be convened and held to consider, if thought fit, to approve the ordinary resolution in relation to the Factoring Agreement and the transaction contemplated thereunder by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the GEM Listing Rules.

A circular containing, among other things, further details about the Factoring Agreement, letters from the Independent Board Committee and the Independent Financial Adviser, a notice convening the EGM and other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 24 July 2023.

## DEFINITIONS

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

“Aggregated Agreements”	the Longding Huayuan Agreements, the Dayuan Tiandi Factoring Agreement and the Factoring Agreement
“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
“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
“Dayuan Tiandi Factoring Agreement”	the Factoring Agreement dated 28 April 2023 entered into between the Company (as factor) and Dayuan Tiandi (as seller) in respect of the accounts receivable factoring services to be provided by the Company to Dayuan Tiandi with a factoring principal amount of up to RMB7,950,000 as disclosed in the announcement of the Company dated 28 April 2023
“Directors”	the directors of the Company
"Effective Date"	the effective date of the Factoring Agreement, that is the date on which the Factoring Agreement is approved by the Independent Shareholders at the EGM
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held to consider, if thought fit, to approve the Factoring Agreement and the transaction contemplated thereunder

“Factoring Agreement”	the with-recourse commercial factoring agreement dated 3 July 2023 entered into between the Company (as factor) and Longding Huayuan (as seller) in respect of the accounts receivable factoring services to be provided by the Company to Longding Huayuan with a factoring principal amount of up to RMB27,000,000
“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 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 Board Committee”	an independent board committee comprising all independent non-executive Directors to advise the Independent Shareholders on the terms of the Factoring Agreement and the transaction 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 Factoring Agreement and the transaction contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than Dayuan Tiandi and its associates
“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

“Longding Huayuan”	Beijing Longding Huayuan Real Estate Development Co., Ltd.* (北京市龍鼎華源房地產開發有限責任公司), a company established in the PRC with limited liability
“Longding Huayuan Agreements”	the asset transfer agreement and the lease agreement dated 17 August 2020 in relation to an arrangement involving the sale of the lease assets by Longding Huayuan to the Company under the asset transfer agreement and the lease back of the lease assets by the Company to Longding Huayuan under the lease agreement as disclosed in the announcement of the Company dated 17 August 2020 and the circular of the Company dated 25 September 2020
“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 PRC and Taiwan
“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
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

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

Hong Kong, 3 July 2023

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)

*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 website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) 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 purpose only*