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**佐力科創小額貸款股份有限公司**  
**(Zuoli Kechuang Micro-finance Company Limited)\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6866)**

**DISCLOSABLE TRANSACTION**  
**PROPOSED ISSUANCE OF CONVERTIBLE BONDS BY A SUBSIDIARY**

On 15 November 2019, (after trading hours), Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) entered into the Bonds Agreement, pursuant to which Jinhui Micro-finance has conditionally agreed to issue, and Zheli Financial Service has conditionally agreed to act as referral agent, general coordinator and manager for, the Bonds in an aggregate principal amount of not more than RMB80,000,000.

Based on the initial Conversion Price of RMB1.22 per RMB1.00 of the Jinhui Micro-finance Registered Capital and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into RMB65,573,770 of newly increased Jinhui Micro-finance Registered Capital, representing:

- (i) approximately 5.34% of the total existing Jinhui Micro-finance Registered Capital as at the date of this announcement; and
- (ii) approximately 5.07% of the total Jinhui Micro-finance Registered Capital as enlarged by full conversion of the Bonds.

Jinhui Micro-finance intends to use the net proceeds from the offering of the Bonds to replenish its working capital.

Assuming full conversion of the Bonds at the initial Conversion Price and no change in total Jinhui Micro-finance Registered Capital prior to such conversion, the shareholding of the Company in Jinhui Micro-finance will be diluted by approximately 5.04% from 99.43% to approximately 94.39% of the enlarged total Jinhui Micro-finance Registered Capital and Jinhui Micro-finance will remain as a subsidiary of the Company. Such dilution will constitute a deemed disposal by the Company of 5.04% interest in Jinhui Micro-finance.

Since one of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of such deemed disposal exceeds 5% but all applicable percentage ratios are less than 25%, the proposed deemed disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 15 November 2019, (after trading hours), Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) entered into the Bonds Agreement with Zheli Financial Service, pursuant to which Jinhui Micro-finance has conditionally agreed to issue, and Zheli Financial Service has conditionally agreed to act as referral agent, general coordinator and manager for, the Bonds in an aggregate principal amount of not more than RMB80,000,000.

## **BONDS AGREEMENT**

The principal terms of the Bonds Agreement are as follows:

Name of Bonds:	2019 Convertible Bonds for Jinhui Micro-finance
Issuer:	Jinhui Micro-finance
Principal amount of the Bonds:	Not more than RMB80,000,000
Place of issue:	The PRC
Maturity:	Not more than 24 months; the Bonds may be issued in tranches and the maturity date of each tranche of the Bonds shall be confirmed by the announcement published on the Zheli Investment Platform
Interest:	Simple annualized interest, to be paid every 6 months; The interest rate shall be confirmed by the announcement published on the Zheli Investment Platform
Redemption:	Unless previously redeemed, converted or cancelled, Jinhui Micro-finance will redeem the Bonds at its principal amount in one lump sum, together with payment of final interest, on the maturity date
Use of proceeds:	To replenish the working capital of Jinhui Micro-finance
Repayment source:	Operating income of Jinhui Micro-finance
Listing:	The issue of the Bonds will be private and the Bonds will not be listed

Guarantee:	Unconditionally, irrevocably and jointly guaranteed by Zuoli Holdings, Mr. Yu Youqiang and his spouse, and Mr. Yu Yin and his spouse; The Company has agreed to charge 12% of its equity interest in Jinhui Micro-finance as security
Subscribers requirements:	Investors who subscribe for the Bonds are required to be qualified under the relevant suitability requirements of Zhejiang Province Equity Exchange Centre
Conversion Conditions:	<p>The conversion of the Bonds is subject to all Bondholders submitting a written conversion application to Zheli Financial Service, and Zheli Financial Service deciding, based on the principles of prudence and maximization of interest of all Bondholders, whether the Bonds should be converted</p> <p>(Special risk warning: the conversion or timely conversion of the Bonds may be affected by factors beyond the reasonable control of any party such as changes in national policies and regulatory requirements)</p>
Conversion Registration Date:	The date falling on the thirteenth (13) trading day immediately prior to the maturity of the Bonds, and Bondholders whose names are on the register on that day are eligible for application for conversion
Conversion Application Period:	From 9:00 a.m. to 15:00 p.m. on the date falling on the third (3) trading day immediately prior to the maturity of the Bonds
Conversion Date:	The maturity date of the Bonds
Conversion Price:	Subject to the terms and conditions of the Bonds, the initial Conversion Price will be RMB1.22 per RMB1.00 of the Jinhui Micro-finance Registered Capital, but will be subject to adjustments for reasons including but not limited to (i) issue of bonus; (ii) share capitalisation; (iii) change in registered capital (excluding the increase in registered capital as a result of the issue of the Bonds); (iv) right issue; and (v) distribution of dividends
Ranking of Conversion Capital:	The additional Jinhui Micro-finance Registered Capital to be registered upon conversion of the Bonds will be fully-paid and in all respects rank <i>pari passu</i> with the Jinhui Micro-finance Registered Capital as registered on the relevant registration date.

Early Redemption at the Option of Jinhui Micro-finance:	Jinhui Micro-finance may at any time after 6 months from the first issue date and before the maturity date of the Bonds redeem the outstanding principal amount of the Bonds at face value thereof plus interest (rate of which shall be confirmed by the announcement published on the Zheli Investment Platform) accrued thereupon up to the actual date of redemption
Early Redemption on Certain Events	<p>The Bonds shall be early redeemed at the request of Zheli Financial Service in the event of certain events, including but not limited to:</p> <ul style="list-style-type: none"> <li>(i) the inability for the Bonds to be maintained due to reasons beyond the reasonable control of any party;</li> <li>(ii) the security of the Bonds being materially affected due to market volatility or abnormal events;</li> <li>(iii) the continued operation of the Bond being affected due to changes in laws, regulations and trading rules or adjustments in national financial policies or the introduction of emergency measures; or</li> <li>(iv) other circumstances which Zheli Financial Service or the Zheli Investment Platform consider will materially affect the normal operation of the Bonds; or</li> <li>(v) the occurrence of other events which will likely materially affect the rights of the Bondholders, including but not limited to: <ul style="list-style-type: none"> <li>a. dissolution, cancellation, revocation, close down, liquidation, other insolvency events, other events of default, deterioration of financial status or credit status or downgrading of credit rating, or involvement in major penalties or disputes in respect of Jinhui Micro-finance or its controlling shareholder, or any other event that may affect Jinhui Micro-finance's ability to redeem the Bonds;</li> <li>b. death or being declared dead or missing of the ultimate beneficial owner, legal representative or other responsible person of Jinhui Micro-finance, or such person becoming involved in major penalties and disputes, which may affect Jinhui Micro-finance's ability to redeem the Bonds;</li> </ul> </li> </ul>

- c. any important documents, statements or information provided by Jinhui Micro-finance being proven to be false, inaccurate, incomplete, illegal or invalid, or contain or involve falsehood, fraud, major omission, concealment or misleading statements;
- d. failure by Jinhui Micro-finance to perform its obligations and guarantees under the Bonds Agreement or subscription agreements to be entered with the Bondholders; or
- e. the value of the charge used as repayment protection of the Bonds having been significantly reduced, frozen or detained, the guarantor being unable to provide within five business days a new guarantee that is accepted by Zheli Financial Service in writing.

(Details to be confirmed by the announcement published on the Zheli Investment Platform)

## **CONVERSION PRICE AND CONVERSION CAPITAL**

The initial Conversion Price of RMB1.22 per RMB1.00 of the Jinhui Micro-finance Registered Capital represents a premium of approximately 1.1 times the net assets value divided by total Jinhui Micro-finance Registered Capital as stated in its audited financial statements for 2018.

The Conversion Price was determined with reference to the prevailing total registered capital of Jinhui Micro-finance and the terms and conditions of the Bonds Agreement and was negotiated on an arm's length basis between Jinhui Micro-finance and Zheli Financial Service.

The number of Conversion Capital registered upon conversion of any Bond shall be determined by dividing the principal amount of the Bond converted by the Conversion Price in effect on the conversion date of the Bond. Based on the initial Conversion Price of RMB1.22 per RMB1.00 of the Jinhui Micro-finance Registered Capital and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into RMB65,573,770 of newly increased Jinhui Micro-finance Registered Capital, representing:

- (i) approximately 5.34% of the total existing Jinhui Micro-finance Registered Capital as at the date of this announcement; and
- (ii) approximately 5.07% of the total Jinhui Micro-finance Registered Capital as enlarged by full conversion of the Bonds.

The table below sets out a summary of the shareholdings of Jinhui Micro-finance (i) as at the date of this announcement; and (ii) upon the exercise in full of the conversion rights attached to the Bonds at the initial Conversion Price:

Shareholders of Jinhui Micro-finance	As at the date of this announcement		Upon full conversion of the Bonds	
	<i>Contributed Capital (RMB)</i>	<i>Approx. % of the total registered capital</i>	<i>Contributed Capital (RMB)</i>	<i>Approx. % of the total registered capital</i>
The Company	1,221,000,000	99.43%	1,221,000,000	94.39%
Shen Weiwen	3,000,000	0.24%	3,000,000	0.23%
Ding Wei	4,000,000	0.33%	4,000,000	0.31%
Subscribers of the Bonds	<u>—</u>	<u>—</u>	<u>65,573,770</u>	<u>5.07%</u>
Total	<u>1,228,000,000</u>	<u>100.00%</u>	<u>1,293,573,770</u>	<u>100.00%</u>

Assuming full conversion of the Bonds at the initial Conversion Price, Jinhui Micro-finance will remain as a subsidiary of the Company.

## INFORMATION OF THE GROUP AND JINHUI MICRO-FINANCE

The Group is principally engaged in the business of providing loan products and services to customers engaged in AFR, SMEs, as well as to online retailers engaged in lifestyle products, agricultural products, cultural supplies, and industrial products in Deqing County, Huzhou City and Binjiang District, Hangzhou City of Zhejiang province, the PRC.

Jinhui Micro-finance is a limited liability company incorporated in the PRC on 12 September 2012, with registered share capital of RMB1,228,000,000. Jinhui Micro-finance operates the Group's microfinance business in Huzhou City, where the Group's main market share comes from. Jinhui Micro-finance is principally engaged in financing businesses including providing microloans, trading securities, equity investment, developing asset securitization business, issuing bonds, cooperating with reputable internet companies for the development of online microfinance business, and providing development, management and financial consulting business for SMEs.

## FINANCIAL INFORMATION OF JINHUI MICRO-FINANCE

According to the 2018 Audited Financial Report and 2017 Audited Financial Report of Jinhui Micro-finance prepared by ZhongHui Certified Public Accountants LLP and the unaudited financial statements for the period up to 30 June 2019 prepared by Jinhui Micro-finance, the main financial data of Jinhui Micro-finance are as follows:

### Balance Sheet

	<b>As at 30 June 2019 (RMB)</b>	<b>As at 31 December 2018 (RMB)</b>	<b>As at 31 December 2017 (RMB)</b>
Total assets	2,261,388,500	2,098,973,000	757,783,000
Current assets	2,216,842,700	2,063,942,900	750,041,200
Non-current assets	44,545,800	35,030,100	7,741,800
Total liabilities	840,798,700	741,995,600	499,055,300
Current liabilities	840,798,700	741,995,600	499,055,300
Non-current liabilities	—	—	—
Total equity	1,420,590,000	1,356,977,400	258,727,700
Undistributed profit	136,103,300	72,490,700	4,742,400

### Income Statement

	<b>Six months ended 30 June 2019 (RMB)</b>	<b>FY2018 (RMB)</b>	<b>FY2017 (RMB)</b>
Operating income	113,264,900	217,731,100	37,546,200
Operating costs	29,213,200	86,517,900	24,234,000
Operating profit	84,051,700	131,213,300	13,312,100
Total profit	85,006,800	131,213,300	13,312,100
Net profit	63,612,600	98,249,700	10,042,000

### Cash Flow Statement

	<b>FY2018 (RMB)</b>	<b>FY2017 (RMB)</b>
Net cash flow from operating activities	(374,395,700)	(523,173,300)
Net cash flow from investing activities	(10,988,100)	62,965,300
Net cash flow from financing activities	390,691,300	467,937,600
Cash and cash equivalents at end of period	22,153,500	16,846,100

## Main Financial Indicators

	As at 30 June 2019	As at 31 December 2018
Current ratio (%)	2.64	2.78
Quick ratio (%)	2.64	2.78
Asset-liability ratio (%)	37.18	35.35
	<b>Six months ended 30 June 2019</b>	<b>FY2018</b>
Operating profit margin (%)	74.21	60.26
Return on net assets (%)	4.58	12.16

As at 30 June 2019, the total sum of outstanding loan payable to Jinhui Micro-finance was RMB2,291,425,000 (exclusive of accrued interests), with overdue loan ratio at 1.9% and impaired loan ratio at 1.8%. The overdue loan ratio and impaired loan ratio were 1.9% and 1.8% respectively as at 31 December 2018, and 0.2% and 0.3% respectively as at 31 December 2017.

## INFORMATION OF ZHELI FINANCIAL SERVICE

Zheli Financial Service is a limited liability company incorporated in the PRC on 1 April 2015. It is principally engaged in the business of providing financial information, investment and software and technology consulting services. Zheli Financial Service operates the Zheli Investment Platform, an online financial platform that provides its qualified investors with investment and wealth management services such as the sale and purchase of fixed income products.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Zheli Financial Service and its ultimate beneficial owner are third parties independent of the Company and are not connected persons of the Company.

## REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

Jinhui Micro-finance intends to use the net proceeds from the offering of the Bonds to replenish its working capital.

The Company believe that the raising of funds by the issuance of the Bonds by Jinhui Micro-finance is beneficial to the Company considering the recent market conditions which represent an opportunity for Jinhui Micro-finance to enhance its working capital. In doing so, Jinhui Micro-finance may strengthen its capital base and financial position, which would equip it with enhanced financial capability and flexibility for its long term business and development, and thereby increase its profitability.



The Directors consider that the terms and conditions of the Bonds Agreement, which were arrived at after arm's length negotiation between Jinhui Micro-finance and Zheli Financial Service, are fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole. The Company will continue to hold its investment in Jinhui Micro-finance for long-term purpose and as its non-wholly owned subsidiary.

## **LISTING RULES IMPLICATIONS**

Assuming full conversion of the Bonds at the initial Conversion Price and no change in total Jinhui Micro-finance Registered Capital prior to such conversion, the shareholding of the Company in Jinhui Micro-finance will be diluted by approximately 5.04% from 99.43% to approximately 94.39% of the enlarged total Jinhui Micro-finance Registered Capital and Jinhui Micro-finance will remain as a subsidiary of the Company. Such dilution will constitute a deemed disposal by the Company of 5.04% interest in Jinhui Micro-finance.

Since one of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of such deemed disposal exceeds 5% but all applicable percentage ratios are less than 25%, the proposed deemed disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

**The Bonds may or may not be issued under the Bonds Agreement, and the conversion of the Bonds may or may not proceed. Accordingly, the deemed disposal of the Company may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“AFR”	三農, agriculture, rural areas and farmers or, as the case may be, individuals or organizations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas
“Board”	the board of Directors of the Company
“Bondholder(s)”	holder(s) of the Bonds
“Bond(s)”	the convertible bond(s) that may be offered and issued by Jinhui Micro-finance pursuant to the Bonds Agreement

“Bonds Agreement”	the collective of (i) the referral services agreement entered into between Jinhui Micro-finance and Zheli Financial Service; (ii) the entrustment agreement entered into between Jinhui Micro-finance and Zheli Financial Service; and (iii) the convertible bonds subscription manual published by Jinhui Micro-finance, all dated 15 November 2019, in connection with the issue and offering of the Bonds
“Company”	佐力科創小額貸款股份有限公司 (Zuoli Kechuang Micro-finance Company Limited*), a company incorporated in the PRC and the H Shares of which are listed on the Stock Exchange
“Conversion Capital”	the additional Jinhui Micro-finance Registered Capital to be registered upon conversion of the Bonds pursuant to the terms and conditions of the Bonds
“Conversion Price”	the price per Conversion Capital (subject to adjustments) at which the Bonds may be converted into Jinhui Micro-finance Registered Capital
“Director(s)”	the director(s) of the Company
“FY”	financial year
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Jinhui Micro-finance”	德清金滙小額貸款有限公司 (Deqing Jinhui Micro-finance Company Limited*), a company incorporated in the PRC and a 99.43%-owned subsidiary of the Company
“Jinhui Micro-finance Registered Capital”	the registered capital of Jinhui Micro-finance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)

“Share(s)”	share(s) of the Company of RMB1.00 each
“SME(s)”	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Province Equity Exchange Centre”	浙江省股權交易中心有限公司 (Zhejiang Province Equity Exchange Centre Limited*), a limited liability company incorporated in the PRC
“Zheli Financial Service”	浙江浙裡金融資訊服務有限公司 (Zhejiang Zheli Financial Information Service Co., Ltd.*), a limited liability company incorporated in the PRC
“Zheli Investment Platform”	“浙裡投”, an investment platform operated by Zheli Financial Service
“Zuoli Holdings”	佐力控股集團有限公司 (Zuoli Holdings Group Company Limited*), a limited liability company incorporated in the PRC and a substantial shareholder of the Company
“%”	percent

By Order of the Board  
佐力科創小額貸款股份有限公司  
**(Zuoli Kechuang Micro-finance Company Limited\*)**  
**Yu Yin**  
Chairman

Hong Kong, 18 November 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Yu Yin, Mr. Zheng Xuegen, Mr. Yang Sheng and Ms. Hu Fangfang, the non-executive Director is Mr. Pan Zhongmin, and the independent non-executive Directors are Mr. Ho Yuk Ming, Hugo, Mr. Jin Xuejun and Ms. Huang Lianxi.*

\* For identification purposes only