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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)

DISCLOSEABLE AND CONNECTED TRANSACTION
TRANSFER OF CREDITOR'S RIGHTS

On 11 December 2020, after trading hours, Xing Yao Micro-finance entered into the Creditor's Rights Transfer Agreement with Xing Yao Construction pursuant to which, Xing Yao Micro-finance agreed to sell and transfer, and Xing Yao Construction agreed to accept the Creditor's Rights at a consideration of RMB3,390,000 (equivalent to approximately HK\$4,034,100).

Since one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Creditor's Rights Transfer Agreement, when aggregated with the Previous Transactions, exceed 5% but all are less than 25%, the transaction contemplated under the Creditor's Rights Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Xing Yao Construction is a substantial shareholder of Xing Yao Micro-finance, a 60%-owned subsidiary of the Company, and thus a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Therefore, the transaction contemplated under the Creditor's Rights Transfer Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) the Board has approved the entering into of the Creditor's Rights Transfer Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Creditor's Rights Transfer Agreement are fair and reasonable and are on normal commercial terms and the entering into of the Creditor's Rights Transfer Agreement is in the interests of the Company and its Shareholders as a whole, the transaction contemplated under the Creditor's Rights Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 11 December 2020, after trading hours, Xing Yao Micro-finance entered into the Creditor's Rights Transfer Agreement with Xing Yao Construction pursuant to which, Xing Yao Micro-finance agreed to sell and transfer, and Xing Yao Construction agreed to accept the Creditor's Rights (as defined below) at a consideration of RMB3,390,000 (equivalent to approximately HK\$4,034,100).

THE CREDITOR'S RIGHTS TRANSFER AGREEMENT

The principal terms of the Creditor's Rights Transfer Agreement are as follows:

- Date : 11 December 2020 (after trading hours)
- Parties : (a) Xing Yao Micro-finance (as transferor)
- (b) Xing Yao Construction (as transferee)
- Creditor's Rights Transferred : The respective creditor's rights (the "**Creditor's Rights**") transferred under the Creditor's Rights Transfer Agreement are set forth as follows:
- the creditor's rights against Borrower A for an outstanding loan amount of RMB550,000 (equivalent to approximately HK\$654,500);
 - the creditor's rights against Borrower B for an outstanding loan amount of RMB750,000 (equivalent to approximately HK\$892,500);
 - the creditor's rights against Borrower C for an outstanding loan amount of RMB950,000 (equivalent to approximately HK\$1,130,500);
 - the creditor's rights against Borrower D for an outstanding loan amount of RMB950,000 (equivalent to approximately HK\$1,130,500);
 - the creditor's rights against Borrower E for an outstanding loan amount of RMB564,436 (equivalent to approximately HK\$671,678.84);
- Consideration : RMB3,390,000 (equivalent to approximately HK\$4,034,100)

The consideration under the Creditor's Rights Transfer Agreement was determined by Xing Yao Micro-Finance and Xing Yao Construction on an arm's length basis after taking into account the value of the relevant Creditor Rights as of the date of the relevant Creditor's Rights Transfer Agreement, being the aggregate of the outstanding amount of the loans of the Borrowers under the Creditor's Rights Transfer Agreement.

Effectiveness	:	Transfer of the Creditor's Rights shall take place on the date of the Creditor's Rights Transfer Agreement.
Payment Term	:	The consideration under the Creditor's Rights Transfer Agreement shall be payable by Xing Yao Construction on or before 31 December 2020.

BACKGROUND OF THE BORROWERS AND THE OUTSTANDING LOANS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all Borrowers are third parties independent of the Group and the connected persons of the Company.

Background and details of the outstanding loans of the Borrowers (the "**Outstanding Loans**") are as follows:

Borrower A:

Principal	:	RMB1,000,000 (equivalent to approximately HK\$1,190,000)
Outstanding principal balance	:	RMB550,000 (equivalent to approximately HK\$654,500)
Initial Term	:	March 2018 to September 2018
Extended Term	:	March 2018 to March 2021
Interest rate	:	12.5‰ per month
Principal business activity	:	Operate construction-related business

Borrower B:

Principal	:	RMB800,000 (equivalent to approximately HK\$952,000)
Outstanding principal balance	:	RMB750,000 (equivalent to approximately HK\$892,500)
Initial Term	:	March 2018 to September 2018
Extended Term	:	March 2018 to March 2021
Interest rate	:	12.5‰ per month
Principal business activity	:	Operate construction-related business

Borrower C:

Principal	:	RMB1,000,000 (equivalent to approximately HK\$1,190,000)
Outstanding principal balance	:	RMB950,000 (equivalent to approximately HK\$1,130,500)
Initial Term	:	March 2018 to September 2018
Extended Term	:	March 2018 to March 2021
Interest rate	:	12.5‰ per month
Principal business activity	:	Operate construction-related business

Borrower D:

Principal	:	RMB1,000,000 (equivalent to approximately HK\$1,190,000)
Outstanding principal balance	:	RMB950,000 (equivalent to approximately HK\$1,130,500)
Initial Term	:	March 2018 to September 2018
Extended Term	:	March 2018 to March 2021
Interest rate	:	12.5‰ per month
Principal business activity	:	Operate construction-related business

Borrower E:

Principal	:	RMB650,000 (equivalent to approximately HK\$773,500)
Outstanding principal balance	:	RMB564,436 (equivalent to approximately HK\$671,678.84)
Term	:	May 2019 to November 2019
Interest rate	:	7.5‰ per month
Principal business activity	:	Operate construction-related business

The Outstanding Loans were made on normal commercial terms and were approved by Xing Yao Micro-finance based on its standard credit assessment process. Since the overdue in repayment of the Outstanding Loans, Xing Yao Micro-finance has taken steps to actively procure the repayment including negotiating with the Borrowers to restructure a repayment plan. Xing Yao Micro-finance initiated legal proceedings against Borrower A, Borrower B, Borrower C and Borrower D in June 2019 and against Borrower E in December 2019 in respect of the Outstanding Loans and has obtained civil mediation agreements from Binjiang District People's Court of Hangzhou Municipality, Zhejiang Province. The Borrowers then subsequently arranged Xing Yao Construction to take over the responsibility for the repayment of the Outstanding Loans pursuant to which Xing Yao Construction entered into the Creditor's Rights Transfer Agreement with Xing Yao Micro-finance.

The total amount of the Outstanding Loans is RMB3,764,436 (equivalent to approximately HK\$4,479,678.84), and Xing Yao Construction agreed to accept the Creditor's Rights under the Creditor's Rights Transfer Agreement at a consideration of RMB3,390,000 (equivalent to approximately HK\$4,034,100).

The total loan portfolio outstanding for Xing Yao Micro-finance amounted to approximately RMB222.0 million as at 30 September 2020 and the Outstanding Loans represented only around 1.7% of such loan portfolio. Save for the Outstanding Loans, Xing Yao Micro-finance has not witnessed a material increase in overdue loan of its loan portfolio.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the business of providing loan products and services to customers primarily consisting of AFR, SMEs, micro enterprises and online retailers engaging in the businesses of lifestyle products, agricultural products, cultural supplies and industrial products in Hangzhou and Huzhou City of Zhejiang Province, the PRC. Xing Yao Micro-finance is a licensed micro-finance company established in the PRC and is engaged in the provision of micro and small loans, consultation services on areas such as small enterprises' development, management and finance in Hangzhou, Zhejiang Province, the PRC. The terms of the Creditor's Rights Transfer Agreement are negotiated on an arm's length basis between Xing Yao Micro-Finance and Xing Yao Construction. The entering into of the Creditor's Rights Transfer Agreement allows Xing Yao Micro-finance the chance to recoup the

Outstanding Loans in full by reducing the default risks exposure to the Borrowers. The Directors (including independent non-executive Directors) consider that the terms of the Creditor's Rights Transfer Agreement are fair and reasonable and are on normal commercial terms and the entering into of the Creditor's Rights Transfer Agreement is in the interests of the Company and its Shareholders as a whole.

INFORMATION OF XING YAO CONSTRUCTION

Xing Yao Construction is a company incorporated in the PRC and is the substantial shareholder of Xing Yao Micro-finance, a 60%-owned subsidiary of the Company. Xing Yao Construction is principally engaged in undertaking, construction and engineering, foundation installation and construction decoration work.

FINANCIAL EFFECT OF CREDITOR'S RIGHTS TRANSFER

Following the completion of the transfer of the Creditor's Rights, the reversal of allowance for expected credit losses recognised on financial assets at amortised cost is anticipated to be approximately RMB3,390,000 (equivalent to approximately HK\$4,034,100), representing the difference between the consideration of RMB3,390,000 (equivalent to approximately HK\$4,034,100) for Creditor's Rights transfer and the aggregate carrying value of the Outstanding Loans of RMB0. As of 30 June 2020, approximately RMB3,975,111 (equivalent to approximately HK\$4,730,382.09) of allowance for expected credit losses was recognised on the Outstanding Loans.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Creditor's Rights Transfer Agreement, when aggregated with the Previous Transactions, exceed 5% but all are less than 25%, the transaction contemplated under the Creditor's Rights Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Xing Yao Construction is a substantial shareholder of Xing Yao Micro-finance, a 60%-owned subsidiary of the Company, and thus a connected person of the Company at the subsidiary level according to Rule 14A.07(1) under the Listing Rules. Therefore, the transaction under the Creditor's Rights Transfer Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) the Board has approved the entering into of the Creditor's Rights Transfer Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Creditor's Rights Transfer Agreement are fair and reasonable and are on normal commercial terms and the entering into of the Creditor's Rights Transfer Agreement is in the interests of the Company and its Shareholders as a whole, the transaction contemplated under the Creditor's Rights Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, none of the Directors has a material interest in the transaction contemplated under the Creditor's Rights Transfer Agreement. Accordingly, no Director is required to abstain from voting on the relevant board resolution to approve the Creditor's Rights Transfer Agreement.

DEFINITIONS

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

“AFR”	customers engaged in agricultural business and/or rural development activities, and/or customers residing in rural areas
“Board”	the board of Directors of the Company
“Borrower(s)”	individual customers of Xing Yao Micro-finance
“Company”	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 PRC with limited liability and the H Shares of which are listed on the Stock Exchange
“Creditor's Rights Transfer Agreement”	the agreement entered into between Xing Yao Micro-finance and Xing Yao Construction on 11 December 2020 in relation to the transfer of the creditor's rights against the Borrowers for the Outstanding Loans
“Director(s)”	the director(s) of the Company
“Domestic Shares(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-established entities
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with 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
“Hong Kong”	the Hong Kong Special Administrative Region
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Creditor’s Rights Transfer Agreements”	the creditor’s rights transfer agreements entered into between Xing Yao Micro-finance and Xing Yao Construction respectively on: (i) 27 December 2018, pursuant to which Xing Yao Micro-finance agreed to sell and transfer, Xing Yao Construction agreed to accept the creditor’s rights at a consideration of RMB4,326,250 (equivalent to approximately HK\$4,975,187.5); and (ii) 18 October 2019, pursuant to which, Xing Yao Micro-finance agreed to sell and transfer, Xing Yao Construction agreed to accept the creditor’s rights at a consideration of RMB10,789,320 (equivalent to approximately HK\$11,976,145.2). For details, please refer to the announcements of the Company dated 27 December 2018 and 18 October 2019
“Previous Transactions”	the transactions under the Previous Creditor’s Rights Transfer Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the Domestic Share(s) and/or the H Share(s)
“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
“Xing Yao Construction”	杭州興耀建設集團有限公司 (Hangzhou Xing Yao Construction Group Co., Ltd*), a company incorporated in the PRC and a substantial shareholder of Xing Yao Micro-finance having an equity interest of 20% in Xing Yao Micro-finance
“Xing Yao Micro-finance”	杭州市高新區(濱江)興耀普匯小額貸款有限公司 (Hangzhou High-tech Zone (Binjiang) Xing Yao Pu Hui Micro-finance Co., Ltd*), a company incorporated in the PRC and a 60%-owned subsidiary of the Company
“%”	percent

For the purpose of this announcement and for illustration purpose only, conversion of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.19. No representation is made that any amount in RMB or HK\$ is or could have been or could be converted at such rate or at any other rates or at all.

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, 11 December 2020

As at the date of this announcement, the executive Directors 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. Chan Kin Man, Mr. Zhao Xuqiang and Ms. Yang Jie.

* For identification purpose only