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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)

CONNECTED TRANSACTIONS
LEASE AGREEMENTS

LEASE AGREEMENTS

The Board is pleased to announce that on 6 July 2023 (after trading hours), the Company (as lessee) and Zuoli Holdings (as lessor) entered into the Company Lease Agreement, pursuant to which Zuoli Holdings has agreed to lease the Company Leased Property to the Company for a term of three (3) years commencing from 7 July 2023 and ending on 6 July 2026 (both days inclusive).

On the same day (after trading hours), Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) (as lessee) and Zuoli Holdings (as lessor) entered into the Jinhui Micro-finance Lease Agreement, pursuant to which Zuoli Holdings has agreed to lease the Jinhui Micro-finance Leased Property to Jinhui Micro-finance for a term of three (3) years commencing from 7 July 2023 and ending on 6 July 2026 (both days inclusive).

LISTING RULES IMPLICATIONS

Puhua Energy is a controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. Zuoli Holdings, being the holding company of Puhua Energy, is an associate of Puhua Energy and thus also a connected person of the Company under the Listing Rules.

According to the Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group, the Group (as the lessee) should recognize the Leased Properties as right-of-use assets and lease liabilities in the Group’s consolidated statement of financial position. Each of the transactions contemplated under the Lease Agreements will be regarded as an acquisition of assets under the Listing Rules. Accordingly, each of the transactions contemplated under the Lease Agreements will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be aggregated under Rule 14A.81 of the Listing Rules.

The values of the right-of-use assets recognized under the Company Lease Agreement and the Jinhui Micro-finance Lease Agreement are approximately RMB1,633,056.58 and RMB4,898,918.30, respectively, therefore, the total value of the right-of-use assets recognized under the Lease Agreements is approximately RMB6,531,974.88 (“**Total Value of Right-of-Use Assets**”). The amount of lease liabilities recognized under the Lease Agreements should be the same as the Total Value of Right-of-Use Assets recognized.

As the highest applicable percentage ratio of Total Value of Right-of-Use Assets in relation to the transactions contemplated under the Lease Agreements exceeds 0.1% but is less than 5%, the transactions contemplated under the Lease Agreements are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 6 July 2023 (after trading hours), the Company and Zuoli Holdings entered into the Company Lease Agreement, pursuant to which Zuoli Holdings has agreed to lease the Company Leased Property to the Company for a term of three (3) years commencing from 7 July 2023 and ending on 6 July 2026 (both days inclusive).

On the same day (after trading hours), Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) (as lessee) and Zuoli Holdings (as lessor) entered into the Jinhui Micro-finance Lease Agreement, pursuant to which Zuoli Holdings has agreed to lease the Jinhui Micro-finance Leased Property to Jinhui Micro-finance for a term of three (3) years commencing from 7 July 2023 and ending on 6 July 2026 (both days inclusive).

The principal terms of the Lease Agreements are set out below:

THE COMPANY LEASE AGREEMENT

- Date : 6 July 2023
- Parties : (a) The Company (as lessee); and
(b) Zuoli Holdings (as lessor)
- Property : The Company Leased Property of a gross floor area of approximately 2,022 square metres
- Term : Three (3) years commencing from 7 July 2023 and ending on 6 July 2026 (both days inclusive), subject to renewal and termination by the parties in accordance with the terms and conditions of the Company Lease Agreement
- Rent : RMB649,500 per annum
- Other fees : (a) Management fees;
(b) charges for using the Company Leased Property (including, without limitation, charges for water, electricity and, gas, etc. which shall be borne by the Company and paid to Zuoli Holdings (who will settle such fees with the relevant parties on behalf of the Company), subject to an annual cap of RMB100,000); and
(c) charges as may from time to time be imposed by government departments and public authorities in respect of the Company Leased Property
- Payment term : Payable half-yearly during the lease term
- Permitted use : For office use

THE JINHUI MICRO-FINANCE LEASE AGREEMENT

- Date : 6 July 2023
- Parties : (a) Jinhui Micro-finance (as lessee); and
(b) Zuoli Holdings (as lessor)
- Property : The Jinhui Micro-finance Leased Property of a gross floor area of approximately 6,066 square metres
- Term : Three (3) years commencing from 7 July 2023 and ending on 6 July 2026 (both days inclusive), subject to renewal and termination by the parties in accordance with the terms and conditions of the Jinhui Micro-finance Lease Agreement
- Rent : RMB1,948,400 per annum
- Other fees : (a) Management fees;
(b) charges for using the Jinhui Micro-finance Leased Property (including, without limitation, charges for water, electricity and, gas, etc. which shall be borne by Jinhui Micro-finance and paid to Zuoli Holdings (who will settle such fees with the relevant parties on behalf of Jinhui Micro-finance), subject to an annual cap of RMB400,000); and
(c) charges as may from time to time be imposed by government departments and public authorities in respect of the Jinhui Micro-finance Leased Property
- Payment term : Payable half-yearly during the lease term
- Permitted use : For office use

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

As announced by the Company on 6 July 2017, 10 July 2017 and 7 July 2020, each of the Company and Jinhui Micro-finance entered into the Existing Lease Agreements and re-entered into lease agreements with Zuoli Holdings as Jinhui Micro-finance acted as the principal platform for the Group to carry out business and both the Company and Jinhui Micro-finance leased office premises from Zuoli Holdings to fit for its operational needs for current and future development.

The rentals under the Lease Agreements have been determined by the parties on arm's length basis after taking into account the prevailing market rentals of similar properties in approximate location. The rentals and other fees payable by the Company and Jinhui Micro-finance under the Lease Agreements are expected to be financed by the internal resources of the Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Lease Agreements will be conducted in the ordinary and usual course of business of the Company and Jinhui Micro-finance and on normal or better commercial terms, and the terms and conditions of the Lease Agreements and the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Puhua Energy is a controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. Zuoli Holdings, being the holding company of Puhua Energy, is an associate of Puhua Energy and thus also a connected person of the Company under the Listing Rules.

According to the Hong Kong Financial Reporting Standard 16 "Leases" issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group, the Group (as the lessee) should recognize the Leased Properties as right-of-use assets and lease liabilities in the Group's consolidated statement of financial position. Each of the transactions contemplated under the Lease Agreements will be regarded as an acquisition of assets under the Listing Rules. Accordingly, each of the transactions contemplated under the Lease Agreements will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and shall be aggregated under Rule 14A.81 of the Listing Rules.

The values of the right-of-use assets recognized under the Company Lease Agreement and the Jinhui Micro-finance Lease Agreement are approximately RMB1,633,056.58 and RMB4,898,918.30, respectively, therefore, the Total Value of Right-of-Use Assets recognized under the Lease Agreements is approximately RMB6,531,974.88. The amount of lease liabilities recognized under the Lease Agreements should be the same as the Total Value of Right-of-Use Assets recognized.

As the highest applicable percentage ratio of Total Value of Right-of-Use Assets in relation to the transactions contemplated under the Lease Agreements exceeds 0.1% but is less than 5%, the transactions contemplated under the Lease Agreements are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yu Yin is the executive Director and the chairman of the Company and also one of its controlling shareholders. Mr. Yu Yin is the son of Mr. Yu Youqiang, who wholly owns 德清銀天股權投資管理有限公司 (Deqing Yintian Equity Investment and Management Company Limited*), a limited company established in the PRC, which in turn holds approximately 79.56% of the equity interest in and controls Zuoli Holdings. In view of such relationships, Mr. Yu Yin has abstained from voting on the Board resolutions approving the entering into of the Lease Agreements.

INFORMATION OF THE PARTIES

The Company

The Company is a licensed microfinance company based in the Deqing County of Huzhou City in the Zhejiang Province of the PRC. The Company focuses on 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.

Jinhui Micro-finance

Jinhui Micro-finance is a company incorporated in the PRC with limited liability on 12 September 2012, with registered share capital of RMB1,228,000,000. Jinhui Micro-finance is principally engaged in micro-finance business and the Group's main market share comes from its micro-finance business in Huzhou.

Zuoli Holdings

Zuoli Holdings is principally engaged in, *inter alia*, the businesses of industrial investment, investment management, investment consultation, import and export business and property management, etc.

DEFINITIONS

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

“AFR”	customers engaged in agricultural businesses and/or rural development activities, and/or customers residing in rural areas
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“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

“Company Lease Agreement”	the lease agreement entered into on 6 July 2023 between the Company and Zuoli Holdings in relation to the leasing of the Company Leased Property
“Company Leased Property”	(i) 22nd floor; and (ii) its public area (including, without limitation, the staff canteen, activities room, exhibition room, file storage room and carpark, the use of which are to be shared with other tenants), of 佐力大廈辦公樓 (Zuoli Da Sha Ban Gong Lou*) which is situated at Deqing Avenue, Wukang Street, Deqing, Zhejiang, PRC
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share 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
“Existing Lease Agreements”	(i) the lease agreement entered into on 7 July 2020 between the Company and Zuoli Holdings in relation to the leasing of Company Leased Property; and (ii) the lease agreement entered into on 7 July 2020 between Jinhui Micro-finance and Zuoli Holdings in relation to the leasing of (among others) the Jinhui Micro-finance Leased Property
“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
“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 99.76%-owned subsidiary of the Company
“Jinhui Micro-finance Lease Agreement”	the lease agreement entered into on 6 July 2023 between Jinhui Micro-finance and Zuoli Holdings in relation to the leasing of the Jinhui Micro-finance Leased Property
“Jinhui Micro-finance Leased Property”	(i) 11th to 13th floors; and (ii) its public area (including, without limitation, the staff canteen, activities room, exhibition room, file storage room and carpark, the use of which are to be shared with other tenants), of 佐力大廈辦公樓 (Zuoli Da Sha Ban Gong Lou*) which is situated at Deqing Avenue, Wukang Street, Deqing, Zhejiang, PRC

“Lease Agreements”	The Company Lease Agreement and the Jinhui Micro-finance Lease Agreement
“Leased Properties”	The Company Leased Property and the Jinhui Micro-finance Leased Property
“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
“Puhua Energy”	德清普華能源股份有限公司 (Deqing Puhua Energy Company Limited*), a company established in the PRC with limited liability
“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
“Zuoli Holdings”	佐力控股集團有限公司 (Zuoli Holdings Group Company Limited*), a company established in the PRC with limited liability
“%”	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, 6 July 2023

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