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Quanzhou Huixin Micro-credit Co., Ltd.*

泉州匯鑫小額貸款股份有限公司

(Established in the People's Republic of China with limited liability)

(Stock Code: 1577)

**SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF THE TARGET COMPANY
UNDER THE RESTRUCTURING INVESTMENT AGREEMENT**

Reference is made to the announcement of the Company dated 2 June 2023 in relation to a discloseable transaction relating to the Proposed Acquisition of the Target Company under the Restructuring Investment Agreement (the “**Announcement**”). Unless otherwise stated, all the capitalized terms used herein shall have the same meaning as those adopted in the Announcement.

The Board wishes to provide certain supplemental information in relation to the Proposed Acquisition.

CONSIDERATION FOR THE PROPOSED ACQUISITION

As mentioned in the Announcement, the Consideration for acquiring the entire equity interests of the Target Company shall be no less than RMB65.0 million. The amount of RMB65.0 million represented the bidding price submitted by the Purchaser as the restructuring investor which was selected by the Administrator to be the winning bid.

The Consideration as agreed in the Restructuring Investment Agreement was determined by the Purchaser and the Administrator after arm's length negotiations, and the Company has taken into consideration the following before submitting the bidding price of RMB65.0 million:

- (i) the minimum bidding price set under the supervision of the Chengdu Intermediate Court, being RMB55,374,800.0;
- (ii) the major assets owned by the Target Company, namely the land, properties, buildings and structures located in the core high-tech zone of Chengdu City, Sichuan Province (the “**Target Company's Major Assets**”), with a total asset value of approximately RMB53.7 million as at 3 February 2021 as disclosed in the asset appraisal report issued by Sichuan Xinhe Asset Evaluation Co., Ltd. dated 28 July 2022 (the “**Asset Appraisal Report**”), which was stated in the

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announcement published on the government website of national enterprise bankruptcy information dated 11 November 2022, and an estimated market value of not less than RMB63.7 million considering that the average price of land according to the judicial sale transactions in the vicinity of the Target Company's land in the past two years exceeded RMB1,050.0 per square meter, together with the Directors' view that the vast majority of the value in the Target Company lies in the Target Company's Major Assets; and

(iii) the intellectual properties and machinery owned by the Target Company with a total asset value of approximately RMB1.7 million as at 3 February 2021 as disclosed in the Asset Appraisal Report.

After considering the above factors and the arm's length commercial negotiations between the Purchaser and the Administrator, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As confirmed by the Company, the amount of the Consideration currently agreed between the Purchaser and the Administrator to form part of the Draft Restructuring Plan for approval by the Chengdu Intermediate Court and for submission to the creditors' meeting for approval is RMB65.0 million. Considering the final amount of the Consideration payable by the Purchaser is still subject to further negotiation between the Administrator, the Purchaser and the creditors of the Target Company, the amount of the Consideration under the Restructuring Investment Agreement as disclosed in the Announcement is stated to be no less than RMB65.0 million. The Company will consider whether to proceed with the Proposed Acquisition and agree to an adjusted Consideration if the Draft Restructuring Plan fails to obtain approval at the creditors' meeting or from the Chengdu Intermediate Court. In such case and when the final amount of the Consideration for the Proposed Acquisition is agreed, the Company will make supplemental announcement(s) to update the Shareholders accordingly.

Based on the final amount of the Consideration currently expected by the Company, one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Proposed Acquisition will exceed 5% but will be less than 25%, thus the classification of the Proposed Acquisition will remain as a discloseable transaction. If there is any change to the classification of the Proposed Acquisition based on the final amount of the Consideration as agreed between the Administrator, the Purchaser and the creditors of the Target Company, the Company will comply with the relevant disclosure and other requirements of the Listing Rules and other applicable regulations accordingly.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The Announcement has set out the balance sheet figures of the Target Company as at 28 December 2020 extracted from the audited report of bankruptcy of the Target Company prepared by the Administrator in accordance with the relevant Chinese laws and regulations and issued by it on 12 May 2022 (the "**Audited Report**").

According to the Enterprise Bankruptcy Law of the PRC (the “**Enterprise Bankruptcy Law**”), after the people’s court accepts an application for bankruptcy of a company, the debtors of the company in liquidation shall pay off their debts to the bankruptcy administrator, and the persons who hold assets of the company in liquidation shall deliver such assets to the bankruptcy administrator. The bankruptcy administrator shall take over the assets, seals as well as account books and documents of the company in liquidation, manage and dispose of its assets, make decisions on its internal management, daily expenditure and other necessary expenditures, and decide whether to continue or suspend its business. In other words, in a bankruptcy scenario, the bankruptcy administrator controls the management of the company in liquidation as well as all the records of its financial activities.

In the Target Company’s case:

- (i) the Target Company suspended its business in 2016 and did not generate any revenue or profits since then;
- (ii) the Chengdu Intermediate Court accepted the application for the liquidation of the Target Company on 28 December 2020;
- (iii) the Administrator fully took over the Target Company on 4 January 2021; and
- (iv) the Administrator investigated into the financial status of the Target Company and issued the Audited Report on 12 May 2022.

As such, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, except for the information set out in the Audited Report prepared by the Administrator and the Asset Appraisal Report, the Company is not aware of any accounts or financial statements regarding the latest book value and valuation of the Target Company or the net profit or loss (before and after taxation) of the Target Company for the two financial years preceding the Proposed Acquisition.

Also, as mentioned in the Announcement, the total assets of the Target Company as at 28 December 2020 was approximately RMB8.8 million, and the amount of other “receivables” of the Target Company to be used by the Administrator to settle the debts of the unsecured creditors of the Target Company was approximately RMB298.0 million.

The amount of the total assets of the Target Company as at 28 December 2020 based on the Audited Report dated 12 May 2022 is a balance sheet figure set out in the financial statements of the Audited Report, which was prepared in accordance with all applicable China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. Specifically, the amount of the total assets of the Target Company was calculated using the historical cost of the assets less accumulated depreciation. By contrast, the total asset value of the Target Company’s Major Assets as at 3 February 2021 of approximately RMB53.7 million as set out on the first page of this supplemental announcement is the fair value at which such assets may be liquidated or sold as set out in the Asset Appraisal Report, which was issued by an independent appraiser. The liquidation value of an asset, as defined in the

Asset Appraisal Report, is an estimated amount of the asset's value under the circumstances where the seller is under compulsion to sell and the consummation of the sale is within a short time period under abnormal market conditions.

According to the Audited Report, the reference date for calculating other "receivables" of the Target Company to be used by the Administrator to settle the debts of the unsecured creditors of the Target Company is 28 December 2020, and the total amount of unpaid debts owed to the Target Company as at 28 December 2020 which was used to calculate such "receivables" was approximately RMB298.0 million. This amount of unpaid debts was accrued as bad debts rather than receivables by the auditor after assessing the recoverability of each item therein. As such, the book value of other "receivables" of the Target Company is zero as far as calculating the total assets of the Target Company is concerned, and this explains why this amount of other "receivables" exceeds the amount of total assets of the Target Company. For the avoidance of doubt, the other "receivables" of the Target Company to be used by the Administrator to settle the debts of the unsecured creditors of the Target Company shall be the proceeds from any future sale of the abovementioned unpaid debts owed to the Target Company by the Administrator at auction(s) rather than the amounts that may be recovered from collection of such unpaid debts.

LEVEL OF OUTSTANDING DEBTS OWED BY THE TARGET COMPANY

After the Administrator confirmed the selection of the Purchaser as a restructuring investor, the Purchaser has reviewed the Target Company's financial statements set out in the Audited Report prepared by the Administrator. In addition, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries: (i) the secured creditors' rights and unsecured creditors' rights against the Target Company which had been declared to the Administrator have been reviewed and recognized by the Administrator, and confirmed by the Chengdu Intermediate Court under its ruling in 2022; and (ii) the employees' claims against the Target Company have been published by the Administrator on the government website of national enterprise bankruptcy information on 21 October 2022. In view of the information gathered by the Purchaser, and having considered the fact that the Target Company has already suspended its business since 2016 and the total amount of the Target Company's liabilities after paying off the fees of the Administrator will be adjusted to zero under the Draft Restructuring Plan, the Directors are of the view that the likelihood of existence of any further outstanding debts owed by the Target Company after settlement of the debts of the unsecured creditors of the Target Company recognized by the Administrator in the Audited Report in accordance with the Draft Restructuring Plan (which is subject to approval at the creditors' meeting and approval by the Chengdu Intermediate Court) is low, and there will be no outstanding financial burden arising from any further potential debts owed by the Target Company which shall be borne by the Purchaser as a restructuring investor of the Target Company's restructuring after the completion of the Proposed Acquisition.

In addition, according to the Enterprise Bankruptcy Law, a creditor shall claim its creditor's right within the period for declaration as determined by the people's court, and any undue creditor's right shall be deemed as due when the relevant application for bankruptcy is accepted by the people's court. Where a creditor fails to claim its creditor's right within the period for declaration of creditors' rights

as decided by the people's court, it may make up its declaration before the final distribution of the assets of the company in liquidation. However, if the final distribution has already been made, no supplemental distribution of the assets of the company in liquidation which have been distributed may be made. In addition, once a restructuring plan is approved by the people's court, it will be binding on the company in liquidation and all of its creditors. Creditors' failure to claim their creditors' rights pursuant to the Enterprise Bankruptcy Law will render such creditors unable to exercise their rights when the restructuring plan is being implemented. When the implementation of the restructuring plan is concluded, the aforementioned creditors may exercise their rights in accordance with the conditions for settlement of debts in the same category as specified in the restructuring plan. Under this mechanism, in the Target Company's case, any creditor's rights claimed after settlement of the debts of the unsecured creditors in accordance with the Draft Restructuring Plan to be approved by the Chengdu Intermediate Court will be minimized.

Also, following communications between the Purchaser and the Administrator, the current Draft Restructuring Plan provides that a portion of the Consideration is to be set aside for the settlement of any creditors' rights against the Target Company claimed after the expiry of the period for declaration of creditors' rights as determined by the people's court. According to the Audited Report, among the fifteen companies that may have creditor's rights against the Target Company with an aggregate value of approximately RMB237.7 million, six of them (with an aggregate value of approximately RMB190.6 million) have already confirmed in writing to the Administrator that they do not have any creditor's rights against the Target Company, while the remaining nine companies (with an aggregate value of approximately RMB47.1 million) have not replied to the Administrator (the "**Undeclared Creditors' Rights**"). In view of the fact that the Target Company does not have any relevant materials in support of such Undeclared Creditors' Rights, for prudence's sake, the Draft Restructuring Plan, which is subject to approval at the creditors' meeting and approval by the Chengdu Intermediate Court, provides that a portion of the Consideration is to be set aside for these Undeclared Creditors' Rights.

Moreover, for any unsecured creditor's rights lawfully claimed against the Target Company afterwards, based on the Purchaser's prior discussions with the Administrator, the Company currently estimates that the maximum repayment rate calculated based on the Consideration of RMB65.0 million as currently agreed between the Purchaser and the Administrator to form part of the Draft Restructuring Plan, but without taking into account the bankruptcy expenses of the Target Company and debts incurred for the common good of the creditors, as well as the aforementioned portion of the Consideration which is to be set aside for the Undeclared Creditors' Rights, is approximately 9.70% of such unsecured creditors' rights.

In view of the above, the Directors are of the view that the information gathered by the Purchaser as well as the mechanisms in place as mentioned above provide the Purchaser with sufficient assurance that the Target Company will have adequate coverage for, as well as limited exposure to, any possible debts claimed before the completion of the restructuring.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

As mentioned in the Announcement, the Company is of the view that the Proposed Acquisition will benefit the Group given the potential value of the Target Company and its assets, and it is in line with the overall business strategies and the expansion plan of the Group to diversify source of income and enhance Shareholders' investment return.

The Directors are of the view that entering into the Restructuring Investment Agreement would achieve the purpose of the Proposed Acquisition, as the Company's primary reason for the Proposed Acquisition is the value and development potential of the Target Company's Major Assets, namely, the land, properties, buildings and structures located in the core high-tech zone of Chengdu City, Sichuan Province. The land is primarily for industrial use with a total site area of approximately 35,751.56 square meters. As regards the properties, buildings and structures, the Target Company owns 13 properties and buildings and four structures (mainly including fences, roads, and greenery), all on the aforementioned land, with a gross floor area of approximately 23,137.51 square meters. As disclosed in the Asset Appraisal Report, the total asset value of the aforementioned land, properties, buildings and structures was approximately RMB53.7 million as at 3 February 2021.

The location of the Target Company's Major Assets is in the centre of the core high-tech zone of Chengdu City, which is currently a major area for development of high-tech industry in Chengdu City. According to the judicial sale transactions in the vicinity of the Target Company in the past two years, the average price of land exceeded RMB1,050.0 per square meter, and the price is expected to continue to rise steadily. Additionally, the scarcity of industrial land in the core high-tech zone of Chengdu City is becoming more and more apparent. With these observations and expectations, the market value of the Target Company's Major Assets is estimated to be not less than RMB63.7 million and keep growing, reflecting its great potential for future development.

As such, the Directors believe that acquiring the Target Company's Major Assets through entering into the Restructuring Investment Agreement shall provide the Group with a good opportunity to expand the Group's land reserve at a reasonable cost and enhance its ability for sustainable development.

At the current stage of the restructuring, the Company has not yet formulated any concrete plan in relation to the development of the Target Company. After acquiring the entire equity interests of the Target Company under the Proposed Acquisition, it is the intention of the Company to:

- (i) upgrade and expand the original land and properties of the Target Company, and seek to increase its capacity according to the applicable land use policies set by the Chengdu government;
- (ii) retain necessary premises for business operation and use the remaining space for leasing to increase the Target Company's rental income, which the Company anticipates will bring future return to the Group; and
- (iii) put efforts in forming professional team to take charge of the original business of the Target Company relating to big health industry if it is likely to be profitable after prudent examination of its feasibility and profitability.

Considering the value of the Target Company's Major Assets and the Company's proposed development directions for the above assets, although the Target Company suspended its business in 2016, the Directors are confident that entering into the Restructuring Investment Agreement would provide a good opportunity for the Company to bring good investment return to the Group.

In view of the above, the Directors are of the view that the terms of the Restructuring Investment Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

By Order of the Board
Quanzhou Huixin Micro-credit Co., Ltd.*
WU Zhirui
Chairman

Fujian Province, the PRC, 18 July 2023

As of the date of this announcement, the executive Directors are Mr. WU Zhirui, Mr. ZHOU Yongwei, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. CAI Rongjun; and the independent non-executive Directors are Mr. ZHENG Wenjian, Mr. YANG Dong John and Mr. YANG Zhanghua.