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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)

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

**PROPOSED ACQUISITION OF THE TARGET COMPANY UNDER THE RESTRUCTURING
INVESTMENT AGREEMENT**

The Board is pleased to announce that on 2 June 2023 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Restructuring Investment Agreement with the Administrator in respect of the Proposed Acquisition after the Administrator confirmed the selection of the Purchaser as a restructuring investor. Pursuant to the Restructuring Investment Agreement, the Purchaser agreed to acquire the entire equity interests of the Target Company at an aggregate consideration of not less than RMB65.0 million (equivalent to approximately HK\$71.8 million). Upon completion of the Proposed Acquisition, the Target Company will be wholly owned by the Purchaser and will be accounted for and consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Proposed Acquisition exceed 5% but are less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 2 June 2023 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Restructuring Investment Agreement with the Administrator in respect of the Proposed Acquisition after the Administrator confirmed the selection of the Purchaser as a restructuring investor. Pursuant to the Restructuring Investment Agreement, the Purchaser agreed to acquire the entire equity interests of the Target Company at an aggregate consideration of not less than RMB65.0 million (equivalent to approximately HK\$71.8 million).

RESTRUCTURING INVESTMENT AGREEMENT

The principal terms of the Restructuring Investment Agreement are as follows:

- Date: 2 June 2023
- Parties: (a) the Purchaser, as a restructuring investor under the Restructuring Investment Agreement;
- (b) the Administrator (comprising one law firm and one accounting firm, namely, Sichuan Shenghao Law Office* (四川盛豪律師事務所) and Baker Tilly China Certified Public Accountants (Special General Partnership), Sichuan Branch* (天職國際會計師事務所(特殊普通合伙)成都分所).
- Subject matter: The Purchaser agreed that, after the people's court approves the draft restructuring plan regarding the Target Company (the "**Draft Restructuring Plan**"), (i) the Purchaser shall provide the debt repayment funds with the amount of no less than RMB65.0 million for the restructuring of the Target Company in accordance with the Restructuring Investment Agreement, which will be specially used to settle the secured indebtedness and bankruptcy expenses of the Target Company and the debts incurred for the common good of the creditors, as well as the debts stipulated under Article 113 of the *Enterprise Bankruptcy Law of the People's Republic of China* (中華人民共和國企業破產法); and (ii) the other receivables of the Target Company in the amount of approximately RMB298 million shall be used to settle the debts of the unsecured creditors of the Target Company.
- Subject to the terms and conditions of the Restructuring Investment Agreement, upon settlement in full of the Consideration, the Purchaser will obtain the entire equity interests of the Target Company.
- Consideration: No less than RMB65.0 million (equivalent to approximately HK\$71.8 million) (the "**Consideration**")

Payment terms: The Consideration shall be paid by the Purchaser to the bank account designated by the Administrator according to the following payment schedule:

- a. the first tranche of payment of RMB10.0 million (equivalent to approximately HK\$11.0 million) shall be paid by the Purchaser within one month after the approval of the Draft Restructuring Plan by the Chengdu Intermediate People's Court (成都市中級人民法院) (the "**Chengdu Intermediate Court**"); and
- b. the second tranche of payment of RMB55.0 million (equivalent to approximately HK\$60.7 million) shall be paid by the Purchaser within three months after the approval of the Draft Restructuring Plan by the Chengdu Intermediate Court.

In the event of any inconsistency between the above payment schedule agreed in the Restructuring Investment Agreement and the Draft Restructuring Plan, the Draft Restructuring Plan shall prevail.

Performance bond: The deposit of RMB3.0 million (equivalent to approximately HK\$3.3 million) already paid by the Purchaser to the Administrator shall constitute the performance bond for the Proposed Acquisition, and such amount shall be deducted from the second tranche of payment.

Effective date: Restructuring Investment Agreement shall become effective upon signing, and the Draft Restructuring Plan shall be put into implementation upon the approval of the Chengdu Intermediate Court.

Completion: The Administrator shall, within 15 days from the date of receiving the first tranche of payment of the Consideration from the Purchaser, hand over the properties, title documents, financial accounts and books and business affairs of the Target Company that it has taken over to the Purchaser, and assist the Purchaser to complete the on-site takeover in relation to the Target Company. If the on-site takeover cannot be carried out smoothly, the Administrator will apply to the Chengdu Intermediate Court for assistance.

After the Purchaser fully settles the Consideration, the Administrator shall apply to the Chengdu Intermediate Court for the release of equity pledge and sequestration, and assist the Purchaser in handling the registration of change of shareholding. The Target Company shall subsist as a corporate legal person on the basis of its original accounts coupled with the Draft Restructuring Plan approved by the Chengdu Intermediate Court.

Within 15 days from the date when the Purchaser fully settles the Consideration, the Administrator shall hand over the company seal of the Target Company that it has taken over to the Purchaser.

The proceeds from the disposal of the accounts receivable of the Target Company, the bank deposits of the Target Company taken over by the Administrator, and the interest income from the Administrator's account that occurred before the date when the Purchaser fully settles the Consideration shall be administered for settlement of the debts and shall be distributed by the Administrator to the creditors. The taxes and fees including but not limited to value added tax, property tax, urban land tax, etc. arising from or related to the occupation of the factory property of the Target Company before the effective date of the Draft Restructuring Plan shall be paid by the Administrator out of the Consideration.

As from the date when the Purchaser fully settles the Consideration, except for the proceeds, bank deposits and interest which shall be administered for settlement of the debts and shall be distributed by the Administrator to the creditors as mentioned above, the Target Company's long-term equity investments, buildings and fixtures, land use rights, machinery and electronic equipment, registered trademarks and patents, specified vehicles, income from factory space leaseings, etc. and funds and assets recovered by the Administrator shall reconstitute properties of the Target Company post restructuring and become indirectly owned by the Purchaser.

Termination:

If the Draft Restructuring Plan is not approved by the Chengdu Intermediate Court, the performance of the Restructuring Investment Agreement shall be terminated and the Administrator shall refund to the Purchaser the deposit of RMB3.0 million as performance bond (without interest) within five business days from the date when Chengdu Intermediate Court rules to terminate the restructuring proceedings and declares the Target Company bankrupt, and the Purchaser shall not claim any rights other than the deposit of RMB3.0 million against the Administrator.

Upon completion of the said Proposed Acquisition, the Target Company will be wholly owned by the Purchaser and will be accounted for and consolidated into the Group's consolidated financial statements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RESTRUCTURING INVESTMENT AGREEMENT

The Group is primarily dedicated to providing local entrepreneurs, SMEs and microenterprises with practical and flexible short-term financing solutions to support their development and address their ongoing liquidity needs. The Company was the largest licensed microfinance company in Fujian in terms of revenue in 2022, according to statistics by the Fujian Financial Supervision Bureau (福建省地方金融監督管理局).

The Target Company is primarily engaged in the production and sale of health care products. It is located in the core high-tech zone in Chengdu City, Sichuan Province and enjoys the advantages of geographical location. Also, the infrastructure and public utility services in the vicinity are becoming more and more mature, and the surrounding industries and universities support and safeguard the future development of the Target Company. All these greatly enhance the potential value of the Target Company and its assets.

The Group has been looking for opportunities to tap into the big health industry, a “sunrise” industry in China. With the advantage of China’s large population, the big health industry has an enormous market and a tremendous growth potential in China. Also, China’s strategic development of a healthier country (健康中國) and the increasing health awareness of the Chinese people provide policy support as well as social demand for the big health industry. As such, the Company is of the view that the big health industry has a promising future in China.

The Directors (including all the independent non-executive Directors) are of the view that the Proposed Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Proposed Acquisition exceed 5% but are less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ABOUT TARGET COMPANY

The Target Company is a company established in the PRC with limited liability, which is principally engaged in the production and sale of health care products since 1998. In 2016, the Target Company suspended its business. On 28 December 2020, the Chengdu Intermediate Court accepted the application for the liquidation of the Target Company claimed by one of its creditors. Subsequently, it was taken over by the Administrator on 4 January 2021. On 31 October 2022, the Chengdu Intermediate Court decided to restructure the Target Company. For more information, please refer to the announcement published on the government website of national enterprise bankruptcy information (<https://pccz.court.gov.cn/pcajxxw/pcgg/ggxq?id=1FC2154866812905F04EBF6D03798DB7>).

The table below sets out the balance sheet figures in the audited report of bankruptcy of the Target Company prepared by the Administrator in accordance with the relevant Chinese law and regulations for the year ended 28 December 2020:

	As of 28 December 2020 <i>RMB</i>
Total assets	8,819,549.84
Total liabilities	259,294,271.93

INFORMATION ABOUT THE PARTIES

The Purchaser

The Purchaser, as the restructuring investor under the Restructuring Investment Agreement, is an investment consulting company established in the PRC, which is principally engaged in investment in manufacturing, leasing industry, commercial service industry, wholesale and retail industry, information transmission, computer service and software industry, real estate industry, tourist industry and other lawful industry and project and investment consultancy.

The Company

The Company, a licensed microfinance company established in Quanzhou City, Fujian Province, the PRC, on 8 January 2010, is primarily dedicated to providing local entrepreneurs, SMEs and microenterprises with practical and flexible short-term financing solutions to support their development and meet their liquidity needs.

The Administrator

Sichuan Shenghao Law Firm* (四川盛豪律師事務所) is a PRC law firm in the form of partnership established on 21 March 2003 with the approval of the Sichuan Provincial Department of Justice.

Baker Tilly China Certified Public Accountants (Special General Partnership)* (天職國際會計師事務所(特殊普通合夥)) is one of the leading comprehensive business consulting firms in China, ranked 9th in the “2021 Comprehensive Evaluation Ranking of the Top 100 Accounting Firms” released by Chinese Institute of Certified Public Accountants (CICPA) on 16 September 2022.

The Administrator was appointed by the Chengdu Intermediate Court on 4 January 2021.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, the Target Company and the Administrator and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

DEFINITIONS

In this announcement, the expressions listed below shall have the following meanings, unless otherwise specified:

“Administrator”	Administrator of Sichuan Xianpai Lingzhi Group Limited* (四川仙牌靈芝集團有限公司管理人), comprising Sichuan Shenghao Law Office* (四川盛豪律師事務所) and Baker Tilly China Certified Public Accountants (Special General Partnership), Sichuan Branch* (天職國際會計師事務所(特殊普通合夥)成都分所), being the administrator of the bankruptcy restructuring of the Target Company appointed by the Chengdu Intermediate Court on 4 January 2021
“Board”	the board of directors of the Company
“Company”	Quanzhou Huixin Micro-credit Co., Ltd.* (泉州匯鑫小額貸款股份有限公司), a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Fujian” or “Fujian Province”	Fujian Province (福建省), the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 only, excludes Hong Kong, the Macau Special Administrative Region, and Taiwan
“Proposed Acquisition”	the proposed acquisition of the entire equity interests of the Target Company pursuant to the Restructuring Investment Agreement entered into on 2 June 2023 between the Purchaser and the Administrator

“Purchaser”	Quanzhou Huixinxing Investment Co., Ltd.* (泉州匯鑫行投資有限責任公司) established in the PRC with limited liability on 19 October 2017, a wholly-owned subsidiary of the Company
“Quanzhou City”	Quanzhou City (泉州市), Fujian Province, the PRC
“Restructuring Investment Agreement”	the restructuring investment agreement entered into on 2 June 2023 (after trading hours) between the Purchaser and the Administrator
“RMB”	Renminbi, the lawful currency of the PRC
“SME(s)”	Small- and medium-sized enterprise(s), as defined in the Statistics on the Measures for Classification of Large, Medium, Small, and Micro Enterprises (2017) (統計上大中小微型企業劃分辦法(2017))
“subsidiary(ies)”	has the meaning ascribed to such term in the Listing Rules
“Target Company”	Sichuan Xianpai Lingzhi Group Limited* (四川仙牌靈芝集團有限公司), a company incorporated in the PRC and restructured as per the decision made by the Chengdu Intermediate People’s Court (成都市中級人民法院) on 31 October 2022
“%”	per cent

Amounts denominated in RMB in this announcement are translated into HK\$ at the exchange rate of RMB0.90584 to HK\$1.00 for illustration purposes. No representation is made that any amount in HK\$ or RMB is or could have been or could be converted at such rate or at any other rate or at all.

* Denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for the sole purpose of identification.

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

Fujian Province, the PRC, 2 June 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. SUN Leland Li Hsun, Mr. ZHANG Lihe and Mr. LIN Jianguo.