

**ZUOLI KECHUANG MICRO-FINANCE COMPANY LTD:
THE PRC HANDOUT MAKES THE COMPANY
LOOK MUCH BETTER THAN IT, REALLY, IS**

Without the 19.83-million renminbi grant from the Government of the People's Republic of China (PRC) in respect of the first half of the 2014 Financial Year, ended June 30, 2014, the Comprehensive Income of Zuoli Kechuang Micro-finance Company Ltd () (Code: 6866, Main Board, The Stock Exchange of Hongkong Ltd) for that six-month period would have been shaved down to a level that was only about seven percent higher than the 2013-Year's comparable period.

In respect of the 2013 first half, Zuoli Kechuang, also, received a PRC Government Grant, but that grant was only in the amount of about 2.36 million renminbi.

Zuoli Kechuang published its Global Offering Prospectus on December 30, 2014, when it Offered 300 million 'H' Shares ('H' Shares are those shares, being the share capital in a PRC-domiciled company that are designated as 'Overseas Listed Foreign Shares'. The Nominal Value of this Company's 'H' Shares is one renminbi) at the Indicative Offer Price Per Share, ranging from \$HK1.27 to \$HK1.39.

On January 12, 2015, it was announced that the Offer Price Per Share had been struck at \$HK1.30 and that the Company anticipated that it would net about \$HK338.40 million from this cash-raising exercise.

The net proceeds from this Global Offering are earmarked to help to strengthen the capital base of the Company.

Dealing in the 'H' shares of this finance company commenced last Tuesday (January 13, 2015).

Of the total number of Shares on Offer, 30 million Shares were Offered to investors of the Hongkong Special Administrative Region (HKSAR) of the PRC, with the remaining 270 million Shares, being reserved for International Investors.

The HKSAR Offer Tranche was oversubscribed by about 1.29 times and the International Offer Tranche was said to have been '*moderately oversubscribed*'.

The business of Zuoli Kechuang is, simply put, a microfinance company, operating exclusively in the Zhejiang Province of the PRC.

In fact, it is stated in the Global Offering Prospectus that it is the largest such corporate entity in this PRC province.

The Company is less than four years old.

The Business

Page 95 of the Global Offering Prospectus gives and '**OVERVIEW**' of the Company's business thusly:

'As of 30 June 2014, we were the largest licensed microfinance company in Zhejiang in terms of

registered capital, according to EY Advisory (Ernst and Young [China] Advisory Ltd [()]). In addition, we were the second largest licensed microfinance company in Zhejiang in terms of outstanding loans as of 30 June 2014, according to the same source. We are dedicated to serving customers in Deqing, a county in Huzhou, Zhejiang with robust commercial and agricultural activities, by providing financing solutions with flexible terms through quick and comprehensive loan assessment and approval processes. Our long-term commitment to serve the local market and our strong capital base have enabled us to build a broad customer base that, in line with our business scale, has expanded since our inception in August 2011. As of 30 June 2014, we had a registered capital of RMB880.0 million and gross outstanding loans of RMB1,064.5 million, serving a total of over 1,200 customers. According to our license, we are currently only permitted to conduct business operation in Deqing.

‘Our key customers primarily consist of customers engaged in agricultural businesses, customers engaged in rural development activities, and/or customers residing in rural areas, or AFR () (agricultural, rural areas or farmers) and SMEs (small and medium-sized enterprises) and microenterprises in various industries. These customers generally lack sufficient business scale and/or do not possess acceptable collateral to obtain credit from commercial banks. We provide various loan products to meet the diverse needs of our target customers. During the Track Record Period, our loans ranged in size from RMB10,000 to RMB25.0 million, with a term generally ranging from two months to one year. As a privately owned and dedicated microfinance company, we are able to deliver quick, convenient and efficient financing solutions to our customers to meet their needs for quick access to funds. We also enjoy a higher degree of flexibility in terms of capital requirements and lending restrictions compared to commercial banks, which allows us to target certain groups of customers, such as SMEs and microenterprises in the start-up and growth phases, and individuals in the agricultural, industrial and service sectors, to broaden our customer base.

‘Deqing has experienced robust economic development and growth in recent years. The local fiscal revenue increased from RMB1.3 billion for the year ended 31 December 2008 to RMB3.1 billion for the year ended 31 December 2013, representing a CAGR (Compound Annual Growth Rate) of 18.1%. Deqing’s per capita GDP (Gross Domestic Product) exceeded RMB77,000 in 2013, and the county was placed among the nation’s top 100 counties in terms of comprehensive strength in economic, social condition, environmental and government management aspects (). A number of high-technology, bio-pharmaceutical and innovative enterprises have either selected Deqing as their headquarters or conducted business in Deqing, which has helped to cultivate the local financial services sector. In addition, Deqing has been designated as a “technological outstanding county ()” as well as a “financial innovation demonstration county ()” by the Zhejiang provincial government.’

Zuoli Kechuang ... [CLICK TO ORDER FULL ARTICLE](#)

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