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Ziyuanyuan Holdings Group Limited
紫元元控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8223)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE SALE AND LEASEBACK AGREEMENTS**

THE SECOND TRANCHE SALE AND LEASEBACK AGREEMENTS

The Board is pleased to announce that on 30 June 2022, the Lessee, a wholly-owned subsidiary of the Company, and the Lessor entered into the Second Tranche Sale and Leaseback Agreements, pursuant to which the Lessee agreed to transfer the legal title of the Leased Assets to the Lessor at the Second Tranche Transfer Amount of RMB41,669,838 (equivalent to approximately HK\$48,754,000) and the Lessor agreed to lease back the Leased Assets to the Lessee during the Second Tranche Lease Term.

Upon expiry of the Second Tranche Lease Term and subject to full payment of all the lease payments and other payables and performance of other obligations by the Lessee under the Second Tranche Sale and Leaseback Agreements, the Lessor shall assign the legal title of the Leased Assets back to the Lessee at a nominal amount of RMB1.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but less than 25%, the transactions contemplated under the Second Tranche Sale and Leaseback Agreements constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As all applicable percentage ratios (as defined under the GEM Listing Rules) in respect of each of the First Tranche Sale and Leaseback Agreements and the Second Tranche Sale and Leaseback Agreements are less than 25%, each of the First Tranche Sale and Leaseback Agreements and the Second Tranche Sale and Leaseback Agreements on aggregated basis, does not constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 29 December 2021 (“**Announcement**”). Unless otherwise defined in this announcement, capitalised terms used in this announcement have the same meaning as defined in the Announcement. As stated in the Announcement, the Lessor, the Lessee, a wholly-owned subsidiary of the Company, and the Company entered into the Cooperation Agreement dated 29 December 2021, pursuant to which the Lessor agreed to grant a one-year revolving credit facility to the Lessee up to RMB200,000,000 (equivalent to approximately HK\$234,000,000) for the Group’s operation of finance lease business. For each tranche of drawing down under the said facility, the Lessor and the Lessee shall separately enter into sale and leaseback agreement which governs the assets to be transferred and the use of the fund drawn down for the payment of the transfer price thereunder.

On 29 December 2021, the Lessee and the Lessor entered into the First Tranche Sale and Leaseback Agreements, pursuant to which the Lessee agreed to transfer the legal title of the Leased Assets to the Lessor at the First Tranche Transfer Amount of RMB90,099,061 (equivalent to approximately HK\$105,416,000) and the Lessor agreed to lease back the Leased Assets to the Lessee during the First Tranche Lease Term.

THE SECOND TRANCHE SALE AND LEASEBACK AGREEMENTS

The Board is pleased to announce that on 30 June 2022, the Lessee and the Lessor entered into the Second Tranche Sale and Leaseback Agreements, pursuant to which the Lessee agreed to transfer the legal title of the Leased Assets to the Lessor at the Second Tranche Transfer Amount of RMB41,669,838 (equivalent to approximately HK\$48,754,000) and the Lessor agreed to lease back the Leased Assets to the Lessee during the Second Tranche Lease Term.

Set out below are the principal terms of the Second Tranche Sale and Leaseback Agreements:

Date: 30 June 2022

Parties:

Lessor: China Development Bank Financial Leasing Co., Ltd.
(國銀金融租賃股份有限公司)

Lessee: Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited
(紫元元(深圳)國際融資租賃有限公司)
(a wholly-owned subsidiary of the Company)

As at the date of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Lessor and its ultimate beneficial owners is an Independent Third Party.

Subject matter

Pursuant to the Second Tranche Sale and Leaseback Agreements, the Lessee agreed to transfer the legal title of the Leased Assets to the Lessor at the Second Tranche Transfer Amount of RMB41,669,838 (equivalent to approximately HK\$48,754,000). The Leased Assets comprised certain dental medical equipment acquired by the Lessee under various previous finance lease arrangements whereby the Lessee acted as lessor and other Independent Third Parties customers acted as lessees.

The Second Tranche Transfer Amount shall be payable by the Lessor to the Lessee within 7 days upon the satisfaction of the conditions precedent described below, and the receipt and verification by the Lessor of the Second Tranche Transfer Amount application form issued by the Lessee.

The Second Tranche Transfer Amount was determined based on arm's length negotiations between the Lessor and the Lessee after taking into account the outstanding lease payments of the Second Tranche Leased Assets under the Second Tranche Sale and Leaseback Agreements, being RMB41,669,838 (equivalent to approximately HK\$48,754,000).

Leaseback of the Leased Assets

Pursuant to the Second Tranche Sale and Leaseback Agreements, after the transfer of the Leased Assets to the Lessor, the Lessor agreed to lease back the Leased Assets to the Lessee during the Second Tranche Lease Term, being a term of 5 to 24 months commencing from the day the Second Tranche Transfer Amount has been paid by the Lessor to the Lessee.

Pursuant to the Second Tranche Sale and Leaseback Agreements, the total amount of lease payments of approximately RMB44,135,295 (equivalent to approximately HK\$51,639,000), comprising (a) the lease principal payment of RMB41,669,838 (equivalent to approximately HK\$48,754,000); and (b) the aggregate lease interest of approximately RMB2,465,457 (equivalent to approximately HK\$2,885,000). The lease payments shall be payable every month during the Second Tranche Lease Term.

Conditions precedent

The Second Tranche Sale and Leaseback Agreements are subject to the fulfillment of the following conditions:

- (1) the Second Tranche Sale and Leaseback Agreements having been signed and having become effective;
- (2) the issue of the Second Tranche Transfer Amount application form by the Lessee to the Lessor, confirming that the use of the funds complies with the Second Tranche Sale and Leaseback Agreements, and there having been no unauthorised use;
- (3) the Second Tranche Security Deposit and all other payment obligations thereunder payable by the Lessee and the Guarantors having been duly paid in full;

- (4) the Lessee and the Guarantors have not breached any other incidental documents entered into with the Lessor;
- (5) the Lessee having submitted the list of Leased Assets and all relevant ownership certification documents of the Lease Assets to the Lessor;
- (6) the Guarantors having executed the Guarantee for the Lessee's full and timely performance of its obligations under the Second Tranche Sale and Leaseback Agreements, and having issued a confirmation in this respect;
- (7) the nature of the Leased Assets is in compliance with the terms of the Second Tranche Sale and Leaseback Agreements;
- (8) the Lessee having issued a confirmation in relation to the transfer of the Leased Assets, and the Lessor having obtained the legal title of the Leased Assets;
- (9) the Lessor having completed the registration of the Second Tranche Sale and Leaseback Agreements and the incidental documents with the Credit Reference Center, the People's Bank of China;
- (10) as at the date of payment of the Second Tranche Transfer Amount by the Lessor, there having been no material change to the rules and regulations of the regulatory authorities governing the financial industry, the effect of which will not increase the financing cost of the Lessor;
- (11) the payment of the Second Tranche Transfer Amount by the Lessor does not violate the rules and regulations of the regulatory authorities at the material time; and
- (12) all other payment obligations under the Second Tranche Sale and Leaseback Agreements having been fulfilled.

All the above conditions are not waivable. If any of the above conditions have not been fulfilled, the Second Tranche Sale and Leaseback Agreements shall cease and determine, and no parties to the Second Tranche Sale and Leaseback Agreements shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Guarantee

According to the Second Tranche Sale and Leaseback Agreements, the Guarantor shall execute the Guarantee in favour of the Lessor to guarantee all the Lessee's obligations and liabilities under the Second Tranche Sale and Leaseback Agreements, including but not limited to lease payments, interest, penalty, liquidated damages, assignment price of the Leased Assets and other relevant payables, legal fee, notarial fee, litigation fee, enforcement fee, and other relevant costs incurred from realisation of claims by the Lessor.

Security Deposit

Prior to the payment of the Second Tranche Transfer Amount by the Lessor to the Lessee, the Lessee shall pay an interest-free deposit of RMB2,083,492 (equivalent to approximately HK\$2,438,000), representing 5% of the Second Tranche Transfer Amount, to the Lessor, in order to secure its payment obligations under the Sale and Leaseback Agreements.

Upon expiry of the Second Tranche Lease Term, (i) the Lessor shall return the Second Tranche Security Deposit (without interest) in full to the Lessee, subject to the settlement of all outstanding amounts due; or (ii) with the approval of the Lessor, the Lessee may use the Second Tranche Security Deposit to offset all or part of the lease payments.

Expiry of the Second Tranche Lease Term

Upon expiry of the Second Tranche Lease Term or in the event of an early termination of the Second Tranche Sale and Leaseback Agreements, and subject to settlement of all outstanding amounts due, the Lessor shall assign the legal title of the Leased Assets back to the Lessee at a nominal amount of RMB1.

INFORMATION ON THE LEASED ASSETS

The Leased Assets comprises certain dental medical equipment in the PRC.

INFORMATION OF THE GROUP AND THE PARTIES TO THE SECOND TRANCHE SALE AND LEASEBACK AGREEMENTS

The Lessor

The Lessor is a company established in the PRC in 1984 and converted into a joint stock limited company on 28 September 2015, the H shares of which are listed on the Stock Exchange (stock code: 1606). The principal business of the Lessor includes providing comprehensive leasing services to high-quality customers in industries including aviation, infrastructure, shipping, inclusive finance, new energy and manufacturing of high-end equipment.

The Lessee

The Lessee is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. The Lessee is principally engaged in the provision of finance leasing services in the PRC.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SALE AND LEASEBACK AGREEMENTS

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the provision of medical equipment finance leasing services, maternal and child postpartum care industry services and trading of medical equipment and consumables business in the PRC.

The Directors believe that the Group will be able to derive Second Tranche liquidity through the financial arrangements under the Second Tranche Sale and Leaseback Agreements and benefit from additional working capital to support its business and finance the operational activities of the Group.

The Directors considered that the Second Tranche Sale and Leaseback Agreements and the transactions contemplated thereunder are on normal commercial terms which are made on an arm's length basis. In view of the above, the Directors consider that the terms of the Second Tranche Sale and Leaseback Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but less than 25%, the transactions contemplated under the Second Tranche Sale and Leaseback Agreements constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As all applicable percentage ratios (as defined under the GEM Listing Rules) in respect of each of the First Tranche Sale and Leaseback Agreements and the Second Tranche Sale and Leaseback Agreements are less than 25%, each of the First Tranche Sale and Leaseback Agreements and the Second Tranche Sale and Leaseback Agreements on aggregated basis, does not constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

“Board”	the board of Directors
“Company” or “Guarantor”	Ziyuanyuan Holdings Group Limited (紫元元控股集團有限公司), a company incorporated in the Cayman Islands with limited liability and listed on GEM (stock code: 8223)
“Cooperation Agreement”	the finance lease business cooperation agreement dated 29 December 2021 and entered into among the Lessor, the Lessee and the Company, pursuant to which the Lessor agreed to grant a one-year revolving credit facility to the Lessee up to RMB200,000,000 (equivalent to approximately HK\$234,000,000) for the Group's operation of finance lease business

“Director(s)”	the director(s) of the Company
“First Tranche Lease Term”	the lease term of 6 to 30 months commencing from the day the Second Tranche Transfer Amount has been paid by the Lessor to the Lessee
“First Tranche Sale and Leaseback Agreements”	five sets of sale and leaseback agreements dated 29 December 2021 entered into between the Lessor and the Lessee, pursuant to which the Lessee agreed to sell the Leased Assets to the Lessor, and the Lessor agreed to leaseback the Leased Assets to the Lessee during the First Tranche Lease Term
“First Tranche Transfer Amount”	the aggregate amounts of RMB90,099,061 (equivalent to approximately HK\$105,416,000) payable by the Lessor to the Lessee by the Lessor for the transfer of legal title of the Leased Assets from the Lessee to the Lessor
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee”	the irrevocable joint liability guarantee dated 29 December 2021 executed by the Guarantor in favour of the Lessor, pursuant to which the Guarantor shall provide joint liability guarantee for the Lessee’s obligations to the Lessor under the Sale and Leaseback Agreements
“Guarantors”	the Company and Shenzhen Ziyuanyuan Investment Holdings Limited (深圳市紫元元投資集團有限公司), a company established in the PRC and controlled by Mr. Zhang Junshen. Mr. Zhang Junshen is an executive Director and the controlling shareholder of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Leased Assets”	certain dental medical equipment in the PRC under the principal sale and leaseback agreements
“Lessee”	Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited (紫元元(深圳)國際融資租賃有限公司), a company established in the PRC with limited liability, and a wholly-owned subsidiary of the Company
“Lessor”	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on 28 September 2015, the H shares of which are listed on the Stock Exchange (stock code: 1606)

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale and Leaseback Agreements”	First Tranche Sale and Leaseback Agreements and Second Tranche Sale and Leaseback Agreements
“Second Tranche Lease Term”	the lease term of 5 to 24 months commencing from the day the Second Tranche Transfer Amount has been paid by the Lessor to the Lessee
“Second Tranche Sale and Leaseback Agreements”	four sets of sale and leaseback agreements dated 30 June 2022 entered into between the Lessor and the Lessee, pursuant to which the Lessee agreed to sell the Leased Assets to the Lessor, and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Second Tranche Lease Term
“Second Tranche Security Deposit”	the aggregate interest-free deposit of RMB2,083,492 (equivalent to approximately HK\$2,438,000), representing 5% of the Second Tranche Transfer Amount, payable by the Lessee to the Lessor
“Second Tranche Transfer Amount”	the aggregate amounts of RMB41,669,838 (equivalent to approximately HK\$48,754,000) payable by the Lessor to the Lessee by the Lessor for the transfer of legal title of the Leased Assets from the Lessee to the Lessor
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board
Ziyuanyuan Holdings Group Limited
Zhang Junshen
Chairman and Chief Executive Officer

Hong Kong, 30 June 2022

For the purposes of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.17. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer), Mr. Zhang Yong, the non-executive Director is Mr. Lyu Di, and the independent non-executive Directors are Mr. Chan Chi Fung Leo, Mr. Chow Siu Hang and Dr. Deng Bin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.ziyygroup.com.