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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
ACQUISITION OF THE ENTIRE EQUITY INTERESTS
IN THE TARGET COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 29 December 2022, the Vendor and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sales Interests at the consideration of RMB40 million (equivalent to approximately HK\$44.8 million).

Upon Completion, the Target Company will be wholly-owned by the Purchaser. The Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

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 Acquisition 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.

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THE EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement:

Date: 29 December 2022

Parties:

Vendor: Ye Te (葉特)

Purchaser: Shenzhen Meijiaer Health Management Co., Ltd.*
(深圳市美佳爾健康管理有限公司)
(an indirect 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, the Vendor is an Independent Third Party.

Subject Matter

As at the date of this announcement, the Vendor owned the entire equity interests of the Target Company.

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sales Interests at the consideration of RMB40 million (equivalent to approximately HK\$44.8 million).

The Consideration shall be satisfied in the following manner:

- (i) the consideration of RMB26.5 million (equivalent to approximately HK\$29.7 million) shall be payable on or before 31 December 2022; and
- (ii) the remaining consideration of RMB13.5 million (equivalent to approximately HK\$15.1 million) shall be payable on or before Completion.

The Consideration was determined based on arm's length negotiations among the Purchaser and the Vendor after taking into account, among others, (i) the future prospects of the Target Company; (ii) the net asset value of the Target Company; and (iii) the benefits to be derived by the Group from the Acquisition as described below.

The Company will utilise its internal resources for payment of the Consideration.

Refund of Consideration paid

If before the Long Stop Date, (i) any of the conditions precedent below cannot be fulfilled or waived, or (ii) all the conditions precedent below have been fulfilled (save and except for condition (b) below) or waived but Completion does not take place, the Vendor shall refund any consideration amount received in full to the Purchaser within three Business Days thereafter.

If, prior to Completion, any representation and/or warranties made by the Vendor was found to be untrue, inaccurate, misleading and/or containing material omissions which would violate the warranties and terms of the Equity Transfer Agreement, the Purchaser has the right to terminate the Equity Transfer Agreement and the Vendor (or its nominee(s)) shall thereby refund any consideration amount received in full to the Purchaser within three Business Days after the receipt of such notice from the Purchaser.

Conditions precedent

Completion of the Equity Transfer Agreement shall be conditional upon the fulfilment or waiver (as the case may be) of, among other things, the following conditions:

- (a) the completion of the Acquisition pursuant to the Equity Transfer Agreement will not be restricted or prohibited by any applicable law, judicial or arbitration agency, or other government agency's ruling or administrative decision;
- (b) the Vendor having completed the procedures for changing the business and commercial registration for the equity transfer; the form and content of the relevant supporting documents (including but not limited to the constitutional document of the Target Company) submitted to the relevant authorities are in compliance with the regulatory requirements and to the satisfaction of the Purchaser;
- (c) all necessary licences and permits (including but not limited to the business licence) required for the ordinary course of business of the Target Company remains valid, and to the best knowledge, information and belief of the Vendor, the Target Company has not carried out any conduct that may cause the necessary licences and permits to be withdrawn or revoked by the government authorities;
- (d) there is no material adverse change (or effect) on the Target Company;
- (e) the representation and warranties made by the Vendor under the Equity Transfer Agreement remaining true, accurate, not misleading and without material omissions in all respects, and no event had occurred which would violate the warranties and terms of the Equity Transfer Agreement on the part of the Vendor;
- (f) the Purchaser completes legal, financial and commercial due diligence on the Target Company with satisfactory results;
- (g) the amount due from Vendor of RMB30 million in the book of the Target Company was returned by the Vendor;
- (h) the Target Company's postpartum care centre in Wuhan, the PRC has started its operations;
and

- (i) all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained.

Save for conditions (b), (c), (d), (e), (g) and (h) which cannot be waived, the Purchaser can at any time by notice in writing to the Vendors waive the other conditions. If the above conditions have not been satisfied (or waived, as the case may be) on or before the Long Stop Date, the Vendor (or its nominee(s)) shall thereby refund any consideration amount received in full to the Purchaser within three Business Days, the Equity Transfer Agreement shall cease and terminate (save as otherwise provided therein), and no party of the Equity Transfer Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the date of receipt of the full Consideration by the Vendor.

Upon Completion, the Target Company will be wholly-owned by the Purchaser. The Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company was a company established in the PRC with limited liability on 7 April 2022, which is owned as to by the Vendor, being an Independent Third Party.

The Target Company is principally engaged in the provision of postpartum care services in Wuhan, the PRC. The Target Company owns an unopened postpartum care centre in Wuhan, the PRC, which is expected to start operations before 30 June 2023.

Financial information of the Target Company

The table below sets forth a summary of certain financial information of the Target Company (prepared in accordance with the applicable financial reporting standards in the PRC) for the period from 7 April 2022 (being the date of establishment of the Target Company) to 30 November 2022:

	For the period from 7 April 2022 to 30 November 2022 RMB'000 (unaudited)
Net loss before taxation	1,855
Net loss after taxation	1,855

The unaudited net asset value of the Target Company as at 30 November 2022 was approximately RMB38.1 million.

INFORMATION OF THE GROUP AND THE VENDOR

The Group

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 Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in investment holding.

The Vendor

Ye Te (葉特), an individual residing in the PRC and the holder of the entire equity interests in the Target Company as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Reference is made to the annual report of the Company for the year ended 31 December 2021. The Group is still reasonably optimistic to sustain the core business given all the economic uncertainties with the outbreak of Covid-19. The Group will continue to seek for the best possible opportunities to grow the Group's business by leveraging current client base. After the pandemic, the healthcare industry will be a new economic breakthrough with significant value-added potentials. The Group initiated pre-emptive deployment of finance leasing service and medical equipment fields that focus on oral cavity and maternity and child industry. Meanwhile, the Group developed trading of medical equipment and consumables business, which cooperates with the maternal and child postpartum care industry, in order to capture pioneer opportunities and support the industrial upgrade of the healthcare industry, diversifying the income of the Group.

In May 2021, China announced the implementation of the three-child policy, so as to promote the link between the fertility policy and related economic and social policies, and to improve the population impact assessment mechanism for major economic and social policies. The implementation of the three-child policy is expected to further stimulate the fertility rate. According to public research reports on market demand and investment plans for the maternal and child postpartum care industry, the market size of China's maternal and child postpartum care centres has been increasing since 2010 and is expected to reach to approximately RMB32 billion in 2025, indicating a positive outlook for the industry, so that the Group is expected to benefit from the optimistic outlook of the maternal and child postpartum care centre. There is a rigid demand for maternal and child health-related services, and the overall market will continue to grow rapidly.

The Group considers the Acquisition represents an opportunity to expand the business in maternal and child postpartum care industry services and is in line with the Group's business prospects and in the interests of the Company and Shareholders taken as a whole.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interests by the Purchaser from the Vendor, subject to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	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)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Consideration”	the consideration for the Sale Interests
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 29 December 2022 and entered into among the Vendor and the Purchaser in respect of the Acquisition
“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
“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
“Long Stop Date”	30 June 2023
“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

“Purchaser”	Shenzhen Meijiaer Health Management Co., Ltd.* (深圳市美佳爾健康管理有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“Sale Interests”	the entire equity interests of the Target Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wuhan Meikangmao Health Management Co., Ltd.* (武漢美康茂健康管理有限公司), a company established in the PRC with limited liability, which is owned by the Vendor as at the date of this announcement
“Tax”	the enterprise income tax of the PRC
“Vendor”	Ye Te (葉特), an individual residing in the PRC and the holder of the entire equity interests in the Target Company as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* For identification only

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

Hong Kong, 29 December 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\$1.12. 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) and Mr. Wong Kwok San, 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 on the HKEXnews website at www.hkexnews.hk for at least 7 days from the date of its posting and on the website of the Company at www.ziyygroup.com.