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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the annual report of Ziyuanyuan Holdings Group Limited (the “**Company**”) together with its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (the “**2022 Annual Report**”). This announcement is supplemental to, and should be read in conjunction with the 2022 Annual Report. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report.

In addition to the information disclosed in the 2022 Annual Report, the board of directors (the “**Board**”) of the Company would like to provide further information in relation to the Group’s finance leasing services.

RISK MANAGEMENT POLICIES

The Group faces a variety of risks in providing finance leasing services, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Group recognises the importance of an effective risk management system for identifying and mitigating these risks. The Group has developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. The Group continues to monitor and review the operation and performance of the risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment. The core principle of risk management system is to minimise such risks in business activities and to protect the long-term interests of the Group and the Shareholders.

The following summary illustrates the major credit risk management measures:

- Due diligence. The risk management department is responsible for conducting due diligence on the customer's background, operating and financial conditions, credit history, financing purposes, major shareholders and guarantors, including on-site interviews and document review at specific customer business locations and at the same time cross-validating through online website inquiries, remote video, etc. Through comprehensive customer due diligence process, the risk management department is able to have a complete understanding of the customer's operations and financial situation, and then produce a customer credit assessment report with assessment of the specific customer's financing needs and ability to make lease payments.
- Asset quality. We evaluate the value and liquidity of assets under each finance leasing transaction and ensure the outstanding lease payments will be sufficiently covered by the value of leased assets.
- Approval process. We have a multi-level review and approval system that enables us to thoroughly discuss the potential issues and risks associated with each finance leasing transaction. Once receiving the customer's application materials, the risk management department makes a preliminary assessment of the customer's capital needs, repayment ability, value and liquidity of the leased equipment, and major risks in association with the finance leasing transaction in order to determine whether the customer meets our customer entry criteria. The risk management department conducts a detailed assessment of whether the customer's operational and financial conditions meet our criteria and prepares a credit assessment report. Depending on the transaction type and the amount of funds involved, the risk management committee evaluates the transaction through review of the transaction packet or a committee meeting. The risk management committee decides whether to grant the final approval for a transaction after review. With respect to a major business decision, the risk management committee first reviews the relevant documents. After all members agree with granting of an approval, the risk management committee submits the relevant documents to the Board of Directors which makes a decision after review.
- Post-drawdown management. The post-drawdown management includes routine inspections, on-site inspections, daily supervision, as well as monthly review, of the collection status of finance lease receivable, repayment reminders, overdue collection and overdue warnings, and ongoing monitoring of leased assets. Finance and accounting department conducts daily supervision by examining the daily log for each transaction, which includes the name, amount due and payable to the Group at relevant times, as well as the collection status of customers. In the event that the finance lease receivables are collected, the finance and accounting department marks the relevant collection status to be "normal repayment" and records the repayment date in the log. In the event that the finance lease receivables are not collected, the finance and accounting department notifies the business development department of such overdue payment, and the business department follows up with the relevant customers. The continuous review process coordinated among various departments and risk management committee enables the Group to identify any potential default of the customers and take remedial actions to enhance the security of leased assets at an early stage.

LEASE PORTFOLIO

Lease Portfolio by Industry

The following table sets forth our net amount of receivables arising from finance leasing services by industry as of the dates indicated:

	As at 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Medical equipment	193,397	96.2	269,553	93.4
Printing	4,303	2.1	15,189	5.3
Logistics	3,469	1.7	3,854	1.3
Net amount of receivables arising from finance leasing services	201,169	100.0	288,596	100.0

Lease Portfolio by Exposure Size

The Group primarily offered equipment-based finance leases, the terms of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.1 million to RMB5.0 million. The following table sets forth net amount of our receivables arising from finance leasing services by exposure size as of the dates indicated:

	As at 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Up to RMB1,000,000	173,162	86.1	260,053	90.1
RMB1,000,001 to RMB3,000,000	20,616	10.2	28,543	9.9
RMB3,000,001 to RMB5,000,000	7,391	3.7	-	-
Net amount of receivables arising from finance leasing services	201,169	100.0	288,596	100.0

Lease Portfolio by Security

The following table sets forth net amount of our receivables arising from finance leasing services by security as of the dates indicated:

	As at 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Secured and guaranteed	196,411	97.7	254,832	88.3
Guaranteed	3,267	1.6	33,764	11.7
Secured	1,491	0.7	-	-
Net amount of receivables arising from finance leasing services	201,169	100.0	288,596	100.0

The above supplemental information does not affect other information contained in the 2022 Annual Report and, save as disclosed above, all other information contained in the 2022 Annual Report remain unchanged.

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

Hong Kong, 12 September 2023

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.

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