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This announcement, for which the directors (the "Directors") of Ziyuanyuan Holdings Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.

紫元元
ZIYUANYUAN

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)

Interim Results Announcement
For the six months ended 30 June 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

The Directors of the Company are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	**Six months ended 30 June 2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Revenue			
Finance lease income	3	**29,137**	24,615
Bank interest income		**13**	8
Exchange loss, net		**—**	(4)
Staff costs	6	**(3,525)**	(3,029)
Impairment losses on finance lease receivable	10	**(1,665)**	(917)
Listing expenses		**(3,577)**	(5,246)
Other operating expenses		**(4,884)**	(2,384)
Finance costs	4	**(6,178)**	(3,872)
Profit before taxation		**9,321**	9,171
Taxation	5	**(3,291)**	(3,696)
Profit and total comprehensive income for the period	6	**6,030**	5,475
Earnings per share			
– Basic (RMB cents)	8	**2.01**	1.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Furniture and office equipment		**611**	700
Finance lease receivable - non-current portion	9	**142,904**	150,167
Prepayments for acquisition of a trademark		**109**	109
Deferred tax assets	11	**4,455**	4,349
		148,079	155,325
Current assets			
Finance lease receivable - current portion	9	**192,991**	186,798
Prepayments and other receivables		**8,431**	7,461
Bank balances and cash		**5,989**	2,324
		207,411	196,583
Current liabilities			
Other payables and accrued charges		**8,327**	7,677
Deposits from finance lease customers - current portion	9	**24,592**	20,971
Deferred income - current portion	12	**9,393**	8,922
Financial liability arising from repurchase agreements	13	**368**	8,713
Bank borrowing	13	**30,061**	—
Amounts due to related parties		**171**	26,351
Tax payable		**3,102**	5,461
		76,014	78,095
Net current assets		**131,397**	118,488
Non-current liabilities			
Deferred income - non-current portion	12	**7,280**	7,716
Deposits from finance lease customers - non-current portion	9	**55,986**	55,746
		63,266	63,462
Net assets		**216,210**	210,351
Capital and reserves			
Share capital	14	**88**	88
Reserves		**216,122**	210,263
Total equity		**216,210**	210,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Rules").

The shares of the Company were listed on GEM of the Stock Exchange on 9 July 2018.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND JUDGEMENT

Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting periods, as appropriate.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's historical financial information for each of the three years ended 31 December 2017 included in the Accountants' Report in Appendix I of the prospectus of the Company dated 25 June 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and finance lease receivable and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets and financial liabilities

All financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39 except for the impact of ECL.

The directors of the Company reviewed and assessed the Group's financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and financial liabilities and the impacts thereof are detailed in Note 2.1.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables and bank balances and cash) and finance lease receivable. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applies the simplified approach to recognise lifetime ECL for finance lease receivable that results from transactions that are within the scope of HKAS 17.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKAS 17 Leases.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and finance lease receivable for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

2.1.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9, HKAS 17 and HKAS 39 at the date of initial application, 1 January 2018.

	Closing balance At 31 December 2017 under HKAS 17/39	**Remeasurement of loss allowance under ECL model under HKFRS 9**	**Opening balance At 1 January 2018 under HKFRS 9/ HKAS 17**
	RMB'000	RMB'000	RMB'000
Finance lease receivable	336,965	(228)	336,737
Deferred tax assets	4,349	57	4,406

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all finance lease receivable. To measure the ECL, finance lease receivable have been grouped based on shared credit risk characteristics. The finance lease receivable has substantially the same risk characteristics as the finance lease receivable for the same types of contracts.

As at 1 January 2018, the additional credit loss allowance of RMB228,000 and decrease in deferred taxation of RMB57,000 has been recognised against retained profits. The additional loss allowance is charged against the finance lease receivable.

Loss allowances for other financial assets at amortised cost mainly comprise bank balances and other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. As at 1 January 2018, the directors of the Company reviewed and assessed the impairment of bank balances and other receivables under ECL model, and no additional loss allowance is recognised against retained profits.

All loss allowances for financial assets including finance lease receivable as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	(i)	(ii)	(iii)=(i)+(ii)
	HKAS 39 carrying amount 31/12/2017	**Remeasurements through opening retained earnings**	**HKFRS 9 carrying amount 01/01/2018**
	RMB'000	RMB'000	RMB'000
Financial assets			
Finance lease receivable (HKAS 17)	8,531	228	8,759

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue for both periods represents income received and receivable from the provision of finance leasing services in the PRC.

The chief operating decision maker ("CODM"), being the executive directors of the Company, have determined that the Group has only one operating and reportable segment, as the Group is principally engaged in providing finance leasing services in the PRC, and the CODM, reviews the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All the Group's revenue and non-current assets are principally derived from or located in PRC.

4. FINANCE COSTS

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Imputed interests on interest-free deposits from finance lease customers	4,736	3,296
Interests on bank borrowing repayable within one year	1,097	557
Interests on financial liability arising from repurchase agreements	345	19
	6,178	3,872

5. TAXATION

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
The charge (credit) comprises:		
Current tax		
– Enterprise Income Tax ("EIT") in the PRC	3,340	3,454
Deferred tax (Note 12)	(49)	242
	3,291	3,696

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remuneration	218	76
Other staff costs		
– Salaries, allowances and other staff benefits	2,946	2,643
– Staffs' retirement benefit scheme contributions	361	310
Total staff costs	3,525	3,029
Depreciation of furniture and office equipment	101	94
Minimum lease payments under operating leases in respect of properties	493	361

7. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior reporting periods. The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data assuming capitalisation issue as explained in the subsection headed "Statutory and General Information - A. Further Information about Our Company and Our Subsidiaries - 3. Resolutions in writing of our Shareholders passed on 12 June 2018" in Appendix IV to the prospectus of the Company dated 25 June 2018 had been effective since 1 January 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	6,030	5,475

	Six months ended 30 June	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	300,000	297,538

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

9. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivable comprises:				
Within one year	**234,220**	227,770	**200,630**	192,834
In more than one year but not more than five years	**161,534**	167,771	**145,689**	152,662
	395,754	395,541	**346,319**	345,496
Less: Unearned finance income	**(49,435)**	(50,045)	**—**	—
Present value of minimum lease payments	**346,319**	345,496	**346,319**	345,496
Less: impairment loss allowance				
- individual and collective impairment allowance	**N/A**	(8,531)	**N/A**	(8,531)
- lifetime ECL allowance	**(10,424)**	N/A	**(10,424)**	N/A
	335,895	336,965	**335,895**	336,965
Analysed for reporting purposes as:				
Current assets			**192,991**	186,798
Non-current assets			**142,904**	150,167
			335,895	336,965

As at 30 June 2018, the effective interest rates of the above finance leases range mainly from 6.3% to 21.69% (31 December 2017: 6.3% to 22.7%) per annum.

The following is a credit quality analysis of finance lease receivable:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-past due	**320,840**	333,156
Past due (note)	**25,479**	12,340
Subtotal	**346,319**	345,496
Less: impairment allowance	**(10,424)**	(8,531)
	335,895	336,965

Note: In the event that instalments repayment of a finance lease receivable are past due, the entire outstanding balance of the finance lease receivable is classified as past due.

Finance lease receivables are mainly secured by the leased assets which are used in printing industry and logistics industry and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 June 2018, the customers' deposits of RMB80,578,000 (unaudited) (31 December 2017: RMB76,717,000 (audited)) were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

The following is an aging analysis based on due dates of the finance lease receivable instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Past due by:		
Less than one month	**1,577**	723
More than one month but less than three months	**801**	768
More than three months	**3,603**	446
	5,981	1,937

10. IMPAIRMENT ASSESSMENT ON FINANCE LEASE RECEIVABLE SUBJECT TO ECL MODEL

Provision matrix - internal credit rating

The following table provides information about the exposure to credit risk and ECL for finance lease receivable which are assessed collectively based on provision matrix as at 30 June 2018.

Internal credit rating	**Average loss rate**	**Gross carrying amount** RMB'000	**Impairment loss allowance** RMB'000
Grade 1 - Low risk	1%	295,996	1,956
Grade 2 - Fair risk	11%	43,002	3,579
Grade 3 - Doubtful	63%	7,321	4,889
Grade 4 - Loss	N/A	—	—
		346,319	10,424

Allowance for impairment

The movements in the allowance for impairment in respect of finance lease receivable during the current interim period were as follows:

	Grade 1 & 2	**Grade 3 & 4**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018* (unaudited)	5,436	3,323	8,759
Impairment losses provided	99	1,566	1,665
Balance at 30 June 2018 (unaudited)	5,535	4,889	10,424

* The Group initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

11. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during both periods:

	Allowances for bad and doubtful debts/ ECL provision	**Temporary difference arising from finance lease income**	**Total**
	RMB’000	RMB’000	RMB’000
As at 1 January 2017 (audited)	752	3,021	3,773
Credit (charge) to profit or loss	1,476	(900)	576
As at 31 December 2017 (audited)	2,228	2,121	4,349
Restated under HKFRS 9 (Note 2)	57	—	57
Credit (charge) to profit or loss	416	(367)	49
At 30 June 2018 (unaudited)	2,701	1,754	4,455

12. DEFERRED INCOME

Deferred income represents the difference between the nominal value of the deposits from finance lease customers and their fair values at initial recognition dates. Deferred income is recognised in the profit or loss using effective interest rate over the lease period.

13. FINANCIAL LIABILITY ARISING FROM REPURCHASE AGREEMENTS/ BANK BORROWING

(a) Financial liability arising from repurchase agreements

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial liability arising from repurchase agreements	**368**	8,713
Carrying amount repayable*:		
Within one year and shown under current liabilities	**368**	8,713

* The amounts due are based on scheduled repayment dates set out in the agreements.

As at 30 June 2018, all the borrowings were fixed-rate borrowings carrying interest at the rate of 10.00% (31 December 2017: 10.00%) per annum.

(b) Bank borrowing

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Secured and guaranteed bank borrowing	**30,061**	—
Carrying amounts repayable*:		
Within one year and shown under current liabilities	**30,061**	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 30 June 2018, the bank borrowing was variable-rate borrowing with carrying interest per annum at 170% of the benchmark rate offered by the People's Bank of China.

14. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital
		HK$
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 30 June 2017 and 1 January 2018	3,800,000	380,000
Increase in authorised capital (note i)	996,200,000	99,620,000
At 30 June 2018	1,000,000,000	100,000,000

	Number of shares	Share capital
		HK$
Issued and fully paid:		
At 1 January 2017	1,000,000	100,000
Issue of shares (note ii)	10,000	1,000
At 30 June 2017, 1 January 2018 and 30 June 2018	1,010,000	101,000

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	**88**	88

Notes:

(i) Pursuant to the resolution passed by the shareholders of the Company on 12 June 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of additional 996,200,000 ordinary shares of HK$0.1 each.

(ii) On 31 May 2017, 10,000 new ordinary shares with a par value of HK$0.1 each were issued and allocated to Hero Global. Details of this transaction are set out in note (ii) of the condensed consolidated statement of changes in equity.

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 July 2018, the Company issued a total of 100,000,000 ordinary shares of HK$0.1 each at HK$0.76 (equivalent to RMB0.6429) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 298,990,000 ordinary shares of HK$0.1 each credited as fully paid to the shareholders by capitalising an amount of HK$29,899,000 (equivalent to RMB25,292,000) from the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Ziyuanyuan Holdings Group Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 together with the corresponding comparative figures. This information should be read in conjunction with the prospectus of the Company dated 25 June 2018 (the "**Prospectus**").

BUSINESS REVIEW

The shares of the Company (the "**Shares**") were successfully listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 July 2018 (the "**Listing**").

The Group is principally engaged in providing equipment-based finance leasing services to small and medium-sized enterprises ("**SME**") customers in the printing and logistics industries in the People's Republic of China (the "**PRC**"). During the six months ended 30 June 2018, the Group was focused on providing finance leasing services to the printing and logistics industries in various provinces, municipalities, and autonomous regions in the PRC, where the Group has established connections with industry players and gained operational expertise. The finance lease offering by the Group comprises direct finance leasing and sale-leaseback.

The diversified customer base of the Group consisting of SME customers in the target industries of printing and logistics in China has also been growing. The Group provided services to approximately 293 SME customers in these two industries across 25 provinces, municipalities and autonomous regions in China as at 30 June 2018.

FUTURE PROSPECTS

The Group plans to continue to strengthen its key market player position in the finance leasing industry in China and enhance its overall competitiveness and market share. The Group intends to achieve its objectives by adopting the following key business strategies: (i) further strengthen the Group's market position and expand the Group's business in its target industries in China; (ii) further strengthen the Group's risk management capabilities and enhance OA System; and (iii) explore new target industries for strategic development in China, in particular, the PRC medical device industry. The Group will draw on its experience of successful operation in the printing and logistics industries and combine it with the characteristics of the customers in the medical industry so as to develop a matching business model and risk management system for the industry. At this exploratory stage, the Group is conducting market researches and employee trainings in relation to the medical device industry and will conduct necessary trial operations and adjustments to the established model and risk management system, so as to prepare the entry into the industry when suitable market opportunities arise and the Group has adequate funds and resources available after the Listing.

FINANCIAL REVIEW

Revenue

The Group's revenue was principally derived from finance leasing income for the provision of finance leasing services to its customers in printing and logistics industries in the PRC. During the six months ended 30 June 2018, the Group's revenue increased by approximately RMB4.5 million or approximately 18.3% to approximately RMB29.1 million (six months ended 30 June 2017: approximately RMB24.6 million). Revenue from the printing industry continues to be the largest revenue contributor of the Group. The increase in revenue derived from the printing industry during the six months ended 30 June 2018 was mainly attributable to the increasing demand for printing equipment in China and the Group's efforts in securing new customers in this industry.

Staff cost

Staff costs include primarily Directors' remuneration, employee salaries, allowances and other staff benefits as well as employee retirement benefits scheme contributions. Staff costs increased from RMB3.0 million for the six months ended 30 June 2017 to approximately RMB3.5 million for the six months ended 30 June 2018. Such increase was mainly attributable to the increase in head count and staff salaries for existing staff.

Impairment losses on finance lease receivable

The Group is not required to provide general provisions as commercial banks and other financial institutions which the China Banking Regulatory Commission regulates. The provisioning policies are based on the applicable accounting standards. The Group first assess whether impairment exists individually for financial lease receivables which had a history of past due. When the Group finds no objective evidence of impairment exists for an individually assessed financial lease receivable, the Group includes the financial lease receivables with similar credit risk characteristics and collectively assess them for impairment.

An impairment loss of approximately RMB0.9 million and RMB1.7 million was recognised for the six months ended 30 June 2017 and 2018 respectively. The increase in impairment loss was primarily due to an increase in impairment allowance as a result of an increase in finance lease receivable due to the business growth and the application of expected loss model under Hong Kong Financial Reporting Standard 9 ("**HKFRS 9**").

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately RMB3.6 million for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately RMB5.2 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, rental expenses and other expenses. Other operating expenses increased from approximately RMB2.4 million for the six months ended 30 June 2017 to approximately RMB4.9 million for the six months ended 30 June 2018. The increase was mainly due to the Group increased sales and marketing expenses in connection with the Listing and to expand the Group's customer base and strengthen the foothold in the finance leasing industry in China for the six months ended 30 June 2018.

Finance costs

Finance costs consist of (i) interest incurred on financial liability arising from repurchase agreements; (ii) imputed interest expense on interest-free deposits from finance lease customers; and (iii) interest on bank borrowing. Finance costs increased from approximately RMB3.9 million for the six months ended 30 June 2017 to approximately RMB6.2 million for the six months ended 30 June 2018. The increase was mainly due to that (i) imputed interest expense on interest-free deposits from finance lease customers increased from approximately RMB3.3 million for the six months ended 30 June 2017 to approximately RMB4.7 million for the six months ended 30 June 2018; and (ii) interest on bank borrowing increased from approximately RMB0.6 million for the six months ended 30 June 2017 to approximately RMB1.1 million for the six months ended 30 June 2018.

Taxation

The PRC enterprise income tax rate applicable to the Group's subsidiaries is 25%.

Profit and total comprehensive income attributable to owners of the Company

For the six months ended 30 June 2018 and 2017, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB6.0 million and RMB5.5 million, respectively. The increase of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the increase in revenue and decrease in listing expenses, offset by increased staff costs, impairment losses on finance lease receivable, other operating expenses and finance costs.

Dividend

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the cash and cash equivalents were approximately RMB6.0 million (31 December 2017: approximately RMB2.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB131.4 million (31 December 2017: approximately RMB118.5 million) and approximately RMB216.2 million (31 December 2017: approximately RMB210.4 million), respectively.

As at 30 June 2018, the Group's bank borrowing with maturity within one year amounted to approximately RMB30.0 million (31 December 2017: Nil).

As at 30 June 2018, the gearing ratio was approximately 12.3% (31 December 2017: 4.0%), which is calculated as bank borrowing and financial liability arising from repurchase agreements divided by total equity plus bank borrowing and financial liability arising from repurchase agreements. Such increase was mainly due to increasing bank borrowing for business expansion.

CAPITAL STRUCTURE

The Shares were successfully listed on the GEM of the Stock Exchange on 9 July 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary Shares.

As at 30 June 2018, the Company's issued share capital was HK$101,000 and the number of its issued ordinary Shares was 1,010,000 of HK$0.1 each.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 30 June 2018 were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2018 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 June 2018.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had no capital commitments (31 December 2017: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, all the finance liability arising from repurchase agreements were secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of approximately RMB0.5 million (31 December 2017: RMB8.9 million) and certain security deposits (included in other receivables) of the Group with an aggregate carrying value of approximately RMB0.1 million (31 December 2017: RMB0.8 million).

As at 30 June 2018, the Group's finance lease receivables with an aggregate carrying value of approximately RMB27.2 million (31 December 2017: Nil) were pledged to a bank in the PRC to secure a bank borrowing of the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

INFORMATION ON EMPLOYEES

As at 30 June 2018, the Group employed 36 employees (31 December 2017: 34 employees) with total staff cost of approximately RMB3.5 million incurred for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB3.0 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

USE OF PROCEEDS

The Shares were listed on GEM on 9 July 2018 (the "**Share Offer**"). The actual net proceeds from the Share Offer, after deducting commissions and expenses borne by the Company in connection with the Share Offer, were approximately HK$45.6 million (the "**Actual Net Proceeds**"), which were lower than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same implementation plans as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus but with monetary adjustments to each implementation plans on a pro-rata basis. The table below sets out the adjusted allocation and the actual usage of the Actual Net Proceeds as at the date of this report.

Use of proceed	**Adjusted allocation of the Actual Net Proceeds HK$'000**	**Actual usage of the Actual Net Proceeds HK$'000**
Developing the Group's existing finance lease business in the PRC printing and logistics industries	40,402	19,800
Expanding the Group's business in these two industries in the northern and eastern parts of China	3,146	—
Exploring the new target industries for the Group's finance leasing business	1,003	—
General working capital	1,049	457
	45,600	20,257

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "**Model Code**"). Having been specific enquired by the Company, all the Directors have confirmed that they have complied with the Model Code for the period from the Listing Date up to the date of this announcement.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the "**Inside Information Policy**").

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company from the Listing Date up to the date of this announcement.

COMPETING INTEREST

During the six months ended 30 June 2018, none of the Directors or the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any conflicts of interest with the Group.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Mr. Zhang Junshen (through Hero Global), Mr. Zhang Junwei (through Icon Global), (the "**Controlling Shareholders**") entered into a deed of non-competition dated 12 June 2018 ("**Deed of Non-competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders since the Listing Date up to the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As shares of the Company were first listed on GEM of the Stock Exchange on 9 July 2018, purchase, sales or redemption of the Company's listed securities was not applicable for the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 of the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on 9 July 2018, other than the deviation from code provision A.2.1, the Company has since then adopted and complied with, where applicable, the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Since the Listing Date and up to the date of this announcement, other than the deviation from code provision A.2.1, the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

CODE PROVISION A.2.1

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the view that although Mr. Zhang Junshen is the chairman and the chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhang Junshen and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

EVENT AFTER THE REPORTING PERIOD

On 9 July 2018, the Shares were successfully listed on GEM of the Stock Exchange with stock code 8223. Save as disclosed, there is no significant event after the reporting period of the Group.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Guoyuan Capital (Hong Kong) Limited ("**Guoyuan Capital**"), the Company's compliance adviser, save for the compliance adviser service agreement entered into between the Company and Guoyuan Capital dated 28 March 2017, none of Guoyuan Capital or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 June 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Group has established an audit committee (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 12 June 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code.

The Audit Committee currently consists of one of our non-executive directors, namely Ms. Shen Qingli and two of our independent non-executive Directors, namely Chan Chi Fung Leo and Mr. Li Zhensheng and the chairman is Mr. Chan Chi Fung Leo, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Hong Kong, 9 August 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer), Mr. Liu Zhiyong, the non-executive Directors are Mr. Zhang Junwei and Ms. Shen Qingli and the independent non-executive Directors are Mr. Chan Chi Fung Leo, Mr. Li Zhensheng and Mr. Chow Siu Hang.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and this announcement will also be published on the website of the Company at www.ziyygroup.com.