*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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

FINANCIAL HIGHLIGHTS

– Revenue for the year ended 31 December 2018 increased by 16.0% to approximately RMB60,409,000 (equivalent to approximately HK$74,405,000).

– Profit attributable to the owners of the Company for the year ended 31 December 2018 increased by 77.2% to approximately RMB16,945,000 (equivalent to approximately HK$20,030,000).

– Basic earnings per share for the year ended 31 December 2018 increased by 66.7% to approximately RMB5 cents (equivalent to approximately 6 HK cents).

– The Board did not recommend the payment of any final dividends for the year ended 31 December 2018.

For the purposes of illustration only, amounts denominated in RMB in this announcement have been translated into HK$ at the rate of HK$1.00 =RMB0.846.

RESULTS

The Directors of the Company are pleased to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the corresponding periods in 2017, as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue – finance leasing services income	*4*	**60,409**	52,060
Bank interest income		**111**	17
Other gains and losses	*5*	**1,083**	(426)
Staff costs		**(8,338)**	(6,528)
Impairment losses on finance lease receivable, net of reversal		**(2,767)**	(5,526)
Listing expenses		**(4,883)**	(8,907)
Other operating expenses		**(10,449)**	(5,900)
Finance costs	*6*	**(12,208)**	(8,848)
Profit before taxation		**22,958**	15,942
Taxation	*7*	**(6,013)**	(6,377)
Profit and total comprehensive income for the year		**16,945**	9,565
Earnings per share			
– Basic *(RMB cents)*	*9*	**5**	3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Furniture and office equipment		**551**	700
Finance lease receivable – non-current portion	*10*	**151,762**	150,167
Prepayments		**–**	109
Deferred tax assets		**4,576**	4,349
		156,889	155,325
CURRENT ASSETS			
Finance lease receivable – current portion	*10*	**217,001**	186,798
Prepayments and other receivables		**4,495**	7,461
Bank balances and cash		**25,004**	2,324
		246,500	196,583
CURRENT LIABILITIES			
Other payables and accrued charges		**3,907**	7,677
Deposits from finance lease customers – current portion		**25,473**	20,971
Deferred income – current portion		**7,523**	8,922
Financial liability arising from repurchase agreements		**–**	8,713
Bank borrowings	*11*	**30,065**	–
Amounts due to related parties		**–**	26,351
Tax payable		**5,552**	5,461
		72,520	78,095
NET CURRENT ASSETS		**173,980**	118,488

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Deposits from finance lease customers – non-current portion		**43,482**	55,746
Deferred income – non-current portion		**3,989**	7,716
		47,471	63,462
NET ASSETS		**283,398**	210,351
CAPITAL AND RESERVES			
Share capital	*12*	**33,839**	88
Reserves		**249,559**	210,263
TOTAL EQUITY		**283,398**	210,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate and ultimate holding company is Hero Global Limited ("**Hero Global**").

The shares of the Company have been listed on GEM of the Stock Exchange with effect from 9 July 2018.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are provision of finance leasing services in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 9 Financial Instruments

In the current year, 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 under ECL model) 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, 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.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

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 table below illustrates the classification and measurement (including impairment) of financial assets and finance lease receivable 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.

As at 1 January 2018, the additional credit loss allowance of RMB228,000 and the corresponding deferred tax assets of RMB57,000 have 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, and are assessed on 12-month ECL ("**12m ECL**") basis as 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 ECL of bank balances and other receivables under ECL model, and no additional loss allowance is recognised against retained profits as the additional amounts are not material.

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

New HKFRSs and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*

[2] *Effective for annual periods beginning on or after 1 January 2021*

[3] *Effective for annual periods beginning on or after a date to be determined*

[4] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

[5] *Effective for annual periods beginning on or after 1 January 2020*

3. SEGMENT INFORMATION

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 throughout the reporting period, as the Group is principally engaged in providing finance leasing services in the PRC, and the CODM, reviews the 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 major non-current assets are attributable to and located in the PRC.

None of the customers contributed over 10% of the total revenue of the Group of the corresponding years.

4. REVENUE

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

5. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Exchange gain (loss), net	**650**	(47)
Gain on sales of finance lease receivable	**388**	–
Gain on investment of structured deposits	**45**	–
Impairment losses on other receivables	**–**	(379)
	1,083	(426)

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Imputed interests on interest-free deposits from finance lease customers	**10,339**	7,276
Interests on bank borrowings repayable within one year	**1,521**	1,199
Interests on financial liability arising from repurchase agreements	**348**	373
	12,208	8,848

7. TAXATION

	2018	2017
	RMB'000	*RMB'000*
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax	**6,183**	6,953
Deferred tax	**(170)**	(576)
	6,013	6,377

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. DIVIDENDS

No dividend (2017: Nil) was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data assuming capitalisation issue of shares of the Company had been effective since 1 January 2017:

	2018	2017
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**16,945**	9,565

	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**348,219**	298,779

No diluted earnings per share is presented as there was no potential dilutive ordinary share in issue during both years.

10. FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivable comprises:				
Within one year	**268,706**	227,770	**225,801**	192,834
In more than one year but not more than five years	**171,128**	167,771	**153,880**	152,662
	439,834	395,541	**379,681**	345,496
Less: Unearned finance income	**(60,153)**	(50,045)	**–**	–
Present value of minimum lease payments	**379,681**	345,496	**379,681**	345,496
Less: impairment loss allowance				
– individual and collective impairment allowance	**N/A**	(8,531)	**N/A**	(8,531)
– lifetime ECL allowance	**(10,918)**	N/A	**(10,918)**	N/A
	368,763	336,965	**368,763**	336,965
Analysed for reporting purposes as:				
Current assets			**217,001**	186,798
Non-current assets			**151,762**	150,167
			368,763	336,965

11. BANK BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Secured and guaranteed bank borrowings	**30,065**	–
Carrying amount repayable*:		
Within one year and shown under current liabilities	**30,065**	–

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

12. SHARE CAPITAL

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

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017 and 31 December 2017	3,800	380
Increase in authorised capital	996,200	99,620
At 31 December 2018	1,000,000	100,000

Issued and fully paid:

	Number of shares	Share capital
	'000	*HK$'000*
At 1 January 2017	1,000	100
Issue of shares	10	1
At 31 December 2017	1,010	101
Issue of shares upon listing of the Company's shares on GEM of the Stock Exchange on 9 July 2018		
– Issue of new shares pursuant to the offering	100,000	10,000
– Capitalisation issue of shares	298,990	29,899
At 31 December 2018	400,000	40,000

	2018	2017
	RMB'000	*RMB'000*
Shown in the consolidated statement of financial position	**33,839**	88

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing equipment-based finance leasing services to SMEs customers in the printing, logistics and medical device industries in the PRC. During the year ended 31 December 2018, the Group has been focusing on providing finance leasing services to the printing, logistics and medical device 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 offered by the Group comprises direct finance leasing and sale-leaseback.

The diversified customer base of the Group consisting of SMEs customers in the target industries of printing and logistics in the PRC has also been growing. In addition, the Group also started the operation of medical device industry since October 2018. The Group provided services to approximately 315 (2017: 292) SME customers in these three industries across 27 (2017: 24) provinces, municipalities and autonomous regions in the PRC as at 31 December 2018.

PROSPECTS

In the current market environment of the PRC, SMEs face challenges on the path of development due to high operational and financing costs. In recent years, the People's Bank of China enhanced its policy support to major fields including SMEs and fragile aspects of domestic economy and devoted greater effort in procuring financial institutions to provide proactive support to the financing of SMEs, all of which gave supportive measures to the finance leasing industry. The scale and number of SMEs in the PRC are gigantic and yet the finance leasing market got off to a late start. Along with the development of the financing lease and increasing demand in the financing market, the penetration of finance lease has been deepening constantly, paving the way of a promising outlook of the finance leasing market in the PRC.

The immense population and acceleration of aging population, together with burgeoning domestic demands under the new economic background, have made the medical field a new economic breakthrough with significant value-added potentials. The Group initiated pre-emptive deployment of medical device leasing and related fields in order to snatch pioneer opportunities and support the industrial upgrade of the medical industry.

The Group has started planning to transform its finance leasing from traditional to a technological one. With the financial technology development as the core in coordination with finance leasing services, the Group will carry out in-depth utilisation of the integration of financial technology and big data application with finance leasing industry in order to secure better industrial upgrade and progress for SMEs in the PRC, and will plan to continuously consolidate its position as a major market player in the finance leasing industry in the PRC, striving for overall competitiveness and market share enhancement.

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, logistics and medical device industries in the PRC. During the year ended 31 December 2018, the Group's revenue increased by approximately RMB8.3 million or approximately 16.0% to approximately RMB60.4 million (2017: approximately RMB52.1 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 year ended 31 December 2018 was mainly attributable to the increasing demand for printing equipment in the PRC and the Group's efforts in securing new customers in this industry. In addition, the increase in revenue was also attributable to the Group having started the operation of medical device industry since October 2018.

Other gains/(losses)

Other gains/(losses) include primarily net foreign exchange gain/(loss) due to fluctuations in RMB against HKD. During the year ended 31 December 2018, a significant net foreign exchange gain of approximately RMB0.65 million was recorded due to most of the actual net proceeds of HK$45.6 million from the share offer were exchanged to RMB for the operations in the PRC.

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 RMB6.5 million for the year ended 31 December 2017 to approximately RMB8.3 million for the year ended 31 December 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 management assesses the measurement of expected credit losses ("ECL") in relation to finance lease receivable and uses provision matrix to calculate ECL. In determining the impairment of finance lease receivable, the management considers shared credit risk characteristics including industry types, historical past due information and lessees' creditworthiness for grouping, and assesses credit losses based on internal credit rating and on a forwardlooking basis with the use of appropriate models and assumptions relate to the economic inputs and the future macroeconomic conditions.

During the year ended 31 December 2017, an impairment loss of approximately RMB5.5 million was recognised to reflect (i) an increase in impairment allowance as a result of an increase of finance lease receivable; and (ii) an increase in individual impairment allowance as a result of non-performing asset during the period in accordance with the Hong Kong Accounting Standard 39. During the year ended 31 December 2018, an additional impairment loss of approximately RMB2.8 million was recognised 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 ECL model under Hong Kong Financial Reporting Standard 9.

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately RMB4.9 million for the year ended 31 December 2018 (2017: RMB8.9 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, rental expenses and other expenses. Other operating expenses increased from approximately RMB5.9 million for the year ended 31 December 2017 to approximately RMB10.4 million for the year ended 31 December 2018. The increase was mainly due to the increase in (i) the legal and professional fee; and (ii) travelling expenses and sales and marketing expenses in connection with the expansion of the Group's customer base and strengthening of the foothold in the finance leasing industry in the PRC for the year ended 31 December 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 RMB8.8 million for the year ended 31 December 2017 to approximately RMB12.2 million for the year ended 31 December 2018. The increase was mainly due to that (i) imputed interest expense on interest-free deposits from finance lease customers increased from approximately RMB7.3 million for the year ended 31 December 2017 to approximately RMB10.3 million for the year ended 31 December 2018; and (ii) interest on bank borrowing increased from approximately RMB1.2 million for the year ended 31 December 2017 to approximately RMB1.5 million for the year ended 31 December 2018.

Taxation

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

Profit for the year attributable to owners of the Company

For the years ended 31 December 2018 and 2017, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB16.9 million and RMB9.6 million, respectively. The increase of profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2018 was mainly attributable to an increase in revenue and decreases in impairment losses on finance lease receivable and listing expenses as compared to the corresponding period in 2017.

Dividend

The Board of Directors of the Company does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2018, the cash and cash equivalents were approximately RMB25.0 million (2017: approximately RMB2.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB174.0 million (2017: approximately RMB118.5 million) and approximately RMB283.4 million (2017: approximately RMB210.4 million), respectively.

As at 31 December 2018, the Group's bank borrowings with maturity within one year amounted to approximately RMB30.1 million (2017: Nil).

As at 31 December 2018, the gearing ratio was approximately 9.6% (2017: 4.0%), which is calculated as bank borrowings and financial liability arising from repurchase agreements divided by total equity plus bank borrowings and financial liability arising from repurchase agreements. Such increase was mainly due to an increase in bank borrowings 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 31 December 2018, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the year ended 31 December 2018 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 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 year ended 31 December 2018.

CAPITAL COMMITMENTS

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group's finance lease receivables with an aggregate carrying value of approximately RMB57.3 million (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 year ended 31 December 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 Company's prospectus dated 25 June 2018 (the "**Prospectus**"), the Group did not have other future plans for material investments or capital assets.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES

As at 31 December 2018, the Group had 48 employees (2017: 34 employees) with total staff cost of approximately RMB8.3 million incurred for the year ended 31 December 2018 (2017: RMB6.5 million). The employees retirement benefit expense incurred during the year ended 31 December 2018 was approximately RMB0.6 million (2017: RMB0.4 million). As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and Directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the year ended 31 December 2018.

USE OF PROCEEDS FROM THE LISTING

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 applied the Actual Net Proceeds on the same implementation plans as disclosed under the section read "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 up to 31 December 2018.

Use of proceed	**Adjusted allocation of the Actual Net Proceeds** *HK$'000*	**Actual usage of the Actual Net Proceeds** *HK$'000*	**Unused balance of the Actual Net Proceeds** *HK$'000*
Developing the Group's existing finance lease business in the PRC printing and logistics industries	40,402	40,402	–
Expanding the Group's business in these two industries in the northern and eastern parts of the PRC	3,146	414	2,732
Exploring the new target industries of the Group's finance lease business	1,003	330	673
General working capital	1,049	1,049	–
	45,600	42,195	3,405

COMPETING INTEREST

During the year ended 31 December 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, Mr. Zhang Junwei, and their respective holding companies, namely Hero Global Limited and Icon Global Holding Limited (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

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 and C.2.5, 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 and C.2.5 the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

Code Deviation

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.

The Group has yet to establish its internal audit function during the year ended 31 December 2018 as required under CG Code C.2.5. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2018 and up to the date of this announcement.

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 31 December 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2018. The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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

Hong Kong, 25 March 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Officer) and Mr. Zhang Junwei; the non-executive Director is 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.