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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 of the Stock Exchange (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.*

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 2019

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

GEM has positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL HIGHLIGHTS

	2019	2018	**Percentage Change**
	RMB'000	*RMB'000*	
Revenue	**68,125**	60,409	12.8%
Profit before taxation	**26,453**	22,958	15.2%
Profit for the year and attributable to owners of the Company	**16,873**	16,945	(0.4%)
EBITDA	**42,570**	35,369	20.4%
Proposed final dividend per share *(HK cents)*	**3**	Nil	N/A

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 2019, together with the comparative figures for the corresponding periods in 2018, as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue			
Finance leasing income		**67,064**	60,409
Interest income from loan receivables		**1,061**	–
Total revenue	*4*	**68,125**	60,409
Bank interest income		**28**	111
Other gains and losses	*5*	**1,328**	1,083
Staff costs		**(13,778)**	(8,338)
Impairment losses under expected credit loss ("ECL") model, net of reversal	*7*	**(2,861)**	(2,767)
Listing expenses		**–**	(4,883)
Other operating expenses		**(13,301)**	(10,449)
Share of loss of an associate		**(60)**	–
Finance costs	*6*	**(13,028)**	(12,208)
Profit before taxation		**26,453**	22,958
Taxation	*8*	**(9,580)**	(6,013)
Profit and total comprehensive income for the year	*9*	**16,873**	16,945
Earnings per share			
– Basic *(RMB cents)*	*11*	**4.22**	4.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Plant and equipment		**939**	551
Right-of-use assets		**13,969**	–
Finance lease receivable	*12(a)*	**119,027**	151,762
Loan receivables	*12(b)*	**5,897**	–
Prepayments for leasehold improvement		**6,485**	–
Deferred tax assets		**4,996**	4,576
Refundable rental deposits		**1,072**	–
		152,385	156,889
CURRENT ASSETS			
Finance lease receivable	*12(a)*	**240,050**	217,001
Loan receivables	*12(b)*	**7,208**	–
Prepayments and other receivables		**4,577**	4,495
Restricted bank deposits		**61**	–
Bank balances and cash		**22,291**	25,004
		274,187	246,500
CURRENT LIABILITIES			
Other payables and accrued charges		**5,796**	3,907
Tax payable		**8,593**	5,552
Lease liabilities		**4,031**	–
Deposits from finance lease customers		**24,956**	25,473
Deferred income		**2,070**	7,523
Bank borrowings	*13*	**56,180**	30,065
		101,626	72,520
NET CURRENT ASSETS		**172,561**	173,980

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,978**	–
Lease liabilities	**10,857**	–
Deposits from finance lease customers	**10,096**	43,482
Deferred income	**1,744**	3,989
	24,675	47,471
NET ASSETS	**300,271**	283,398
CAPITAL AND RESERVES		
Share capital	**33,839**	33,839
Reserves	**266,432**	249,559
TOTAL EQUITY	**300,271**	283,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Ziyuanyuan Holdings Group Limited (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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 7.0%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	4,840
– Lease commencement date after 31 December 2018	3,397
– Lease commencement date on or before 31 December 2018	1,443
Lease liabilities discounted at relevant incremental borrowing rates	1,329
Less: Recognition exemption – short-term leases	(26)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	1,303
Lease liabilities as at 1 January 2019	1,303
Analysed as	
Current	641
Non-current	662
	1,303

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		1,303
Adjustments on rental deposits at 1 January 2019	*(a)*	–
		1,303

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The discounting effect has had no material impact on the carrying amount of the refundable rental deposits of the Group as at 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. During the year, all sales and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under HKFRS 9.

The transition to HKFRS 16 has no material impact on the retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	1,303	1,303
Current Liabilities			
Lease liabilities	–	641	641
Non-current liabilities			
Lease liabilities	–	662	662

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Except as described above, the adoption of HKFRS 16 resulted in no other impact on the carrying amounts as at 1 January 2019.

For the year ended 31 December 2019, the sales and leaseback transactions of the Group did not satisfy the requirements of HKFRS 15 as a sale. If HKAS 17 were applied, there will be reclassification of loan receivables to finance lease receivable of RMB13,105,000 as at 31 December 2019, as well as the reclassification of interest income from loan receivables to finance leasing income of RMB1,061,000 for the year ended 31 December 2019.

Except as described above, as lessor, the application of HKFRS 16 has had no other material impact on the amounts reported in the consolidated financial statements for the year ended 31 December 2019.

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 finance leasing income and interest income on loan receivables received and receivable arising from the finance leasing activities in the PRC.

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Gain on sales of finance lease receivable	**1,044**	388
Gain on disposal of investments in an associate	**260**	–
Gain on investment of structured deposits	**63**	45
Exchange (loss) gain, net	**(71)**	650
Others	**32**	–
	1,328	1,083

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Imputed interests on interest-free deposits from finance lease customers	**8,078**	10,339
Interests on bank borrowings repayable within one year	**4,379**	1,521
Interests on lease liabilities	**508**	–
Interests on financial liability arising from repurchase agreements	**63**	348
	13,028	12,208

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS ("ECL") MODEL, NET OF REVERSAL

	2019	2018
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– finance lease receivable	**2,725**	2,767
– loan receivables	**136**	–
	2,861	2,767

8. TAXATION

	2019	2018
	RMB'000	*RMB'000*
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax	**8,022**	6,183
Deferred tax	**1,558**	(170)
	9,580	6,013

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
Directors' emoluments	**1,514**	789
Other staff costs		
– Salaries, allowances and other staff benefits	**12,868**	7,034
– Staffs' retirement benefit scheme contributions	**763**	515
Total staff costs	**15,145**	8,338
Less: staff costs recognised as research and development costs in other operating expenses	**(1,367)**	–
Staff costs recognised in profit or loss	**13,778**	8,338
Research and development costs recognised as an expense (included in other operating expenses)	**1,451**	–
Written off plant and equipment	**15**	–
Depreciation of plant and equipment	**335**	203
Depreciation of right-of-use assets	**2,754**	–
Total depreciation	**3,089**	203
Auditor's remuneration	**1,100**	1,100
Short-term leases payments	**483**	N/A
Minimum lease payments under operating leases in respect of properties	**N/A**	1,084

10. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK3 cents (2018: Nil) per ordinary share has been proposed by the board of directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

11. 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 2018:

	2019	2018
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**16,873**	16,945

	2019	2018
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	348,219

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

12. FINANCE LEASE RECEIVABLE/LOAN RECEIVABLES

(a) Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivable comprises:				
Within one year	**293,279**	268,706	**250,492**	225,801
In the second year	**121,887**	143,532	**108,549**	128,396
In the third year	**13,933**	26,743	**12,800**	24,726
In the fourth year	**–**	853	**–**	758
	429,099	439,834	**371,841**	379,681
Less: Unearned finance income	**(57,258)**	(60,153)	**–**	–
Present value of minimum lease payments	**371,841**	379,681	**371,841**	379,681
Less: lifetime ECL allowance	**(12,764)**	(10,918)	**(12,764)**	(10,918)
	359,077	368,763	**359,077**	368,763
Analysed for reporting purposes as:				
Current assets			**240,050**	217,001
Non-current assets			**119,027**	151,762
			359,077	368,763

(b) Loan receivable

	2019
	RMB'000
Fixed-rate loan receivables	13,241
Less: 12-month ECL allowance	(136)
	13,105
Analysed for reporting purposes as:	
Current assets	7,208
Non-current assets	5,897
	13,105

13. BANK BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Unsecured and guaranteed	**56,180**	–
Secured and guaranteed	**–**	30,065
Carrying amount repayable*:		
Within one year and shown under current liabilities	**56,180**	30,065

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

14. EVENT AFTER THE REPORTING PERIOD

The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date and information available of that date without undue cost or effort. Since early January 2020, the novel coronavirus ("**COVID-19**") outbreak has spread across mainland China and beyond, causing disruption to business and economic activity. The impact on certain key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under HKFRS 9 in 2020.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020.

Except as disclosed above and in note 10 of this announcement, the Group had no other significant subsequent event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing equipment-based finance leasing services to SMEs customers in the medical device, printing and logistics industries in the PRC. During the year ended 31 December 2019, the Group has been focusing on providing finance leasing services to the medical device, 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 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 medical device, printing and logistics in the PRC has also been growing. The Group provided services to approximately 657 (2018: 315) SME customers in these three industries across 30 (2018: 27) provinces, municipalities and autonomous regions in the PRC as at 31 December 2019.

PROSPECTS

Since the outbreak of the novel coronavirus pneumonia epidemic at the beginning of 2020, the Group has taken a proactive approach and adopted various anti-epidemic measures to protect the safety and health of employees as top priority. At the same time, the postponed resumption of production and related epidemic control have adversely affected the Group's business. The Group is taking proactive measures and making active responses in an effort to minimise the losses caused by the epidemic. After the epidemic, the medical field will be 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.

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 traditional finance leasing mode will limit the Group to further develop due to the constraint of industry scale and the high cost of travelling expenses. Development towards fintech has become a trend. By leveraging on the Group's accumulated experience in finance leasing and integration with the Fintech, the Group has successfully realized resource integration and mode innovation as well as the upgrading development of the industry model. During 2019, the Group has strongly transformed its finance leasing from traditional to a technological one, which is nearing completion. The business system, with the full efforts of the Group, is expected to be launched in the second quarter of 2020. The system can realize its core functions such as online finance leasing, industry information and information inquiry. It also has independent intelligent property right. The business system combines online with offline business to form a full-closed loop, which significantly improves the overall competitiveness of the Group.

The Group also plans to cooperate with the fellow subsidiaries to build a service platform, with the precise positioning of "medical industry plus Internet" during 2020. The Group are taking a series of high-tech action, big data, cloud computing, blockchain, intelligent terminal, to build an integrated industries Internet service based on financial service, asset transactions, industries training, medical alliances and value-added services of upstream and downstream industrial chain. It is a multi-dimensional and intelligent dynamic risk control system to create an ecological win-win circle for the entire industrial chain. Through the sharing economy model, it provides a full range of high precision inclusive services for the whole industries, so as to optimize the allocation of resources, improve the ability of overall finance leasing service to the industrial chain, bring deep reform to the entire industries as well as promote the healthy growth of domestic SMEs.

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 medical device, printing and logistics industries in the PRC. During the year ended 31 December 2019, the Group's revenue increased by approximately RMB7.7 million or approximately 12.8% to approximately RMB68.1 million (2018: approximately RMB60.4 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 2019 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 and losses

Other gains and losses include primarily gain on sales of finance lease receivable, gain on disposal of investments in an associate and net foreign exchange gain and loss. Other gains and losses increased from approximately RMB1.1 million for the year ended 31 December 2018 to approximately RMB1.3 million for the year ended 31 December 2019. The increase was mainly due to (i) gain on sales of finance lease receivable to a third party increased from approximately RMB0.4 million for the year ended 31 December 2018 to approximately RMB1.0 million for the year ended 31 December 2019; and (ii) gain on disposal of investments in an associate of RMB0.3 million was recorded in year ended 31 December 2019, which offsetting net foreign exchange loss of RMB0.1 million recorded in year ended 31 December 2019 compared with a net foreign exchange gain of RMB0.7 million recorded in year ended 31 December 2018 generated from most of the actual net proceeds of HK$45.6 million from the share offer 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 RMB8.3 million for the year ended 31 December 2018 to approximately RMB13.8 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in head count and staff salaries for existing staff. The significant increase in the number of staff was mainly dealing with the operation of medical device industry and overseeing the corporate governance.

Impairment losses under expected credit loss ("ECL") model, net of reversal

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 ECL in relation to finance lease receivable and loan receivables. In determining the impairment of finance lease receivable and loan receivables, 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 forward looking 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 2019, an additional impairment loss of approximately RMB2.9 million (2018: RMB2.8 million) was recognised primarily due to an increase in impairment allowance as a result of an increase in finance lease receivable and loan receivables due to the business growth.

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The Shares were successfully listed on the GEM of the Stock Exchange on 9 July 2018 and hence no listing expenses were incurred for the year ended 31 December 2019 (2018: approximately RMB4.9 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, depreciation of right-of-use assets and other expenses. Other operating expenses increased from approximately RMB10.4 million for the year ended 31 December 2018 to approximately RMB13.3 million for the year ended 31 December 2019. The increase was mainly due to the increase in (i) depreciation of right-of-use assets; and (ii) staff costs recognised as research and development cost for developing the online platform for the finance leasing business for the year ended 31 December 2019.

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; (iii) interest on bank borrowing; and (iv) interests on lease liabilities. Finance costs increased from approximately RMB12.2 million for the year ended 31 December 2018 to approximately RMB13.0 million for the year ended 31 December 2019. The increase was mainly due to (i) the interest on bank borrowing increased from approximately RMB1.5 million for the year ended 31 December 2018 to approximately RMB4.4 million for the year ended 31 December 2019; and (ii) the interests on lease liabilities of approximately RMB0.5 million for the year ended 31 December 2019 as a result of adoption of Hong Kong Financial Reporting Standard 16, which offsetting imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB10.3 million for the year ended 31 December 2018 to approximately RMB8.1 million for the year ended 31 December 2019 as a result in the reduction in the amount of deposits from finance lease customers.

Taxation

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

Taxation increased from approximately RMB6.0 million for the year ended 31 December 2018 to approximately RMB9.6 million for the year ended 31 December 2019. The increase was mainly due to (i) the operating profits from the PRC subsidiaries of the Group increased for the year ended 31 December 2019 as compared to the corresponding period in 2018 and the relevant PRC Enterprise Income Tax increased from approximately RMB6.2 million for the year ended 31 December 2018 to approximately RMB8.0 million for the year ended 31 December 2019; and (ii) the deferred tax expense of approximately RMB2.0 million withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiary of the Group for the year ended 31 December 2019 (2018: Nil).

Profit for the year attributable to owners of the Company

For the years ended 31 December 2019 and 2018, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB16.9 million and RMB16.9 million, respectively. The slight decrease of profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2019 was mainly attributable to an increase in staff costs, other operating expenses and withholding tax of 10% imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC which offsetting an increase in revenue and a decrease in listing expenses as compared to the corresponding period in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2019, the cash and cash equivalents were approximately RMB22.3 million (2018: approximately RMB25.0 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB172.6 million (2018: approximately RMB174.0 million) and approximately RMB300.3 million (2018: approximately RMB283.4 million), respectively.

As at 31 December 2019, the Group's bank borrowings with maturity within one year amounted to approximately RMB56.2 million (2018: RMB30.1 million).

As at 31 December 2019, the gearing ratio was approximately 15.8% (2018: 9.6%), which is calculated as bank borrowings divided by total equity plus bank borrowings. 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. 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 2019, 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 2019 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2019 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 2019.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no capital commitments of RMB4.0 million in respect of the acquisition of office equipment and leasehold improvement (2018: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (2018: finance lease receivable with an aggregate carrying value of approximately RMB57.3 million were pledged to a bank in the PRC).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, 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 2019, the Group did not have any significant contingent liabilities (2018: Nil).

HUMAN RESOURCES

As at 31 December 2019, the Group had 56 employees (2018: 48 employees) with total staff cost of approximately RMB15.1 million incurred for the year ended 31 December 2019 (2018: RMB8.3 million). The employees retirement benefit expense incurred during the year ended 31 December 2019 was approximately RMB0.8 million (2018: RMB0.6 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. The Group did not experience any material labour disputes during the year ended 31 December 2019.

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 2019.

Use of proceed	Adjusted allocation of the Actual Net Proceeds	Actual usage of the Actual Net Proceeds	Unused balance of the Actual Net Proceeds
	HK$'000	*HK$'000*	*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	2,087	1,059
Exploring the new target industries of the Group's finance lease business	1,003	660	343
General working capital	1,049	1,049	–
	45,600	44,198	1,402

COMPETING INTEREST

During the year ended 31 December 2019, 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, Mr. Zhang Junwei, and their respective holding companies, namely Hero Global and 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 during the year and 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 during the year 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.

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 is the Chairman and 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 and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

During the year 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.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in notes 10 and 14 to this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2019 and up to the date of this announcement.

FINAL DIVIDENDS

Dividend Policy

The Company has no fixed dividend policy. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries in the PRC, the availability of funds to pay distributions to Shareholders depends on dividends received from these subsidiaries.

During the board meeting held on 23 March 2020, the Board recommended the payment of a final dividend of HK3 cents per share, in form of a cash dividend, to the Shareholders. The proposed final dividend for 2019 is expected to be paid to the shareholders on or before 29 June 2020, subject to the shareholders' approval at the annual general meeting to be convened.

CLOSURE OF REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING

For the purpose of determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 22 May 2020 (the "**2020 AGM**"), the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 22 May 2020 will be entitled to attend and vote at the 2020 AGM. In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 May 2020.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Monday, 1 June 2020 to Tuesday, 2 June 2020, during which period no transfer of shares will be registered. The record date for determination of entitlement to the final dividend shall be Tuesday, 2 June 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 2 June 2020 will be entitled to the final dividend. To qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 29 May 2020.

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 2019, 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 2019. 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

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 2019 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.ziyygroup.com). The annual report of the Group for the year ended 31 December 2019 containing all the information required by the GEM Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Junshen (Chairman and Chief Executive Officer) and Mr. Zhang Junwei, the non-executive Director is Mr. Lyu Di 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 Listed Company Information" 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.