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 2020

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (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 2020, together with the unaudited comparative figures for the corresponding periods in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Three months ended		**Six months ended**	
		30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*3*				
Finance leasing income		**14,195**	16,009	**28,874**	32,880
Interest income from loan receivables		**476**	–	**973**	–
Total revenue		**14,671**	16,009	**29,847**	32,880
Bank interest income		**15**	6	**23**	15
Other gains and losses		**208**	32	**206**	10
Staff costs	*6*	**(2,979)**	(3,441)	**(6,210)**	(7,075)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*10*	**(5,535)**	(727)	**(7,100)**	(1,757)
Other operating expenses	*6*	**(4,326)**	(4,063)	**(7,023)**	(7,533)
Share of profit (loss) of an associate		**–**	32	**–**	(37)
Finance costs	*4*	**(2,427)**	(2,655)	**(5,021)**	(5,400)
(Loss) profit before taxation		**(373)**	5,193	**4,722**	11,103
Taxation	*5*	**1,991**	(1,819)	**516**	(3,687)
Profit and total comprehensive income for the period	*6*	**1,618**	3,374	**5,238**	7,416
Earnings per share					
– Basic *(RMB cents)*	*8*	**0.40**	0.84	**1.31**	1.85

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment		**13,538**	939
Right-of-use assets		**11,929**	13,969
Finance lease receivable	*9*	**85,394**	119,027
Loan receivables	*9*	**3,467**	5,897
Prepayments for non-current assets		**200**	6,485
Deferred tax assets		**6,892**	4,996
Refundable rental deposits		**1,072**	1,072
		122,492	152,385
CURRENT ASSETS			
Finance lease receivable	*9*	**220,886**	240,050
Loan receivables	*9*	**7,222**	7,208
Prepayments and other receivables		**2,123**	4,577
Financial assets at fair value through profit or loss ("FVTPL")		**30,112**	–
Restricted bank deposits		**–**	61
Bank balances and cash		**41,869**	22,291
		302,212	274,187
CURRENT LIABILITIES			
Other payables and accrued charges		**3,954**	5,796
Tax payable		**5,135**	8,593
Dividends payable		**8,233**	–
Lease liabilities		**3,628**	4,031
Deposits from finance lease customers		**17,336**	24,956
Deferred income		**1,485**	2,070
Bank borrowings	*11*	**79,656**	56,180
		119,427	101,626
NET CURRENT ASSETS		**182,785**	172,561
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**550**	1,978
Lease liabilities		**9,172**	10,857
Deposits from finance lease customers		**787**	10,096
Deferred income		**143**	1,744
		10,652	24,675
NET ASSETS		**294,625**	300,271
CAPITAL AND RESERVES			
Share capital		**33,839**	33,839
Reserves		**260,786**	266,432
TOTAL EQUITY		**294,625**	300,271

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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.

Significant Events and Transactions in the Current Interim Period

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue due to decrease in customers' demand caused by temporary suspension of operation of the customers in certain areas in the PRC/increase in ECL provision due to worsening creditworthiness of certain customers/rent concessions from a lessor.

2. 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, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), and application of certain accounting policies which became relevant to the Group, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 3 "Definition of a Business"

2.2.1 Accounting policies

Business combinations or asset acquisitions

<u>Optional concentration test</u>

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

2.3 *Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions"*

2.3.1 Accounting policies

Leases

Covid-19-related rent concessions

In respect of rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.3.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period to all rent concessions in the period (all of which meet the conditions in the amendment). The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of RMB484,000 in the profit or loss for the current interim period.

3. REVENUE

Revenue for the six months ended 30 June 2020 represents finance leasing income and interest income on loan receivables received and receivable arising from the finance leasing activities in the PRC.

4. FINANCE COSTS

	Three months ended		**Six months ended**	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interests on bank borrowing repayable within one year	**1,237**	1,119	**2,342**	1,683
Imputed interests on interest-free deposits from finance lease customers	**959**	1,437	**2,200**	3,529
Interests on lease liabilities	**231**	99	**479**	188
	2,427	2,655	**5,021**	5,400

5. TAXATION

	Three months ended		**Six months ended**	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
The charge (credit) comprises:				
Current tax				
– PRC Enterprise Income Tax	**996**	2,229	**2,208**	3,694
– Withholding tax levied on dividend declared of a PRC subsidiary	**600**	–	**600**	–
Deferred tax	**(3,587)**	(410)	**(3,324)**	(7)
	(1,991)	1,819	**(516)**	3,687

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Three months ended		Six months ended	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Directors' emoluments	**278**	320	**879**	673
Other staff costs				
– Salaries, allowances and other staff benefits	**3,122**	3,842	**5,862**	6,968
– Staffs' retirement benefit scheme contributions	**4**	247	**70**	402
Total staff costs	**3,404**	4,409	**6,811**	8,043
Less: staff costs recognised as research and development costs in other operating expenses	**(425)**	(968)	**(601)**	(968)
Staff costs recognised in profit or loss	**2,979**	3,441	**6,210**	7,075
Research and development costs recognised as an expense (included in other operating expenses)	**440**	1,052	**688**	1,052
Written off plant and equipment	**–**	–	**1**	15
Depreciation of plant and equipment	**114**	72	**220**	126
Depreciation of right-of-use assets	**1,020**	762	**2,040**	1,318
Total depreciation	**1,134**	834	**2,260**	1,444
Short-term leases payments	**–**	–	**–**	37
Covid-19-related rent concessions	**–**	–	**(484)**	–

7. DIVIDENDS

During the current interim period, a final dividend of HK3 cents per share in respect of the year ended 31 December 2019 was declared to the owners of the Company. The aggregate amount of the final dividend declared amounted to HK$12,000,000 (equivalent to RMB10,884,000) (six months ended 30 June 2019: nil). The aggregate amount of the final dividend paid in the interim period amounted to HK$3,000,000 (equivalent to RMB2,651,000) (six months ended 30 June 2019: nil) and the remaining final dividend of HK$9,000,000 (equivalent to RMB8,233,000) was paid in July 2020.

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Three months ended		**Six months ended**	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per share				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**1,618**	3,374	**5,238**	7,416

	Three months ended		**Six months ended**	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	'000	*'000*	***'000***	*'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	400,000	**400,000**	400,000

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

9. FINANCE LEASE RECEIVABLE/LOAN RECEIVABLES

(a) Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivable comprises:				
Within one year	**274,322**	293,279	**237,008**	250,492
In the second year	**89,841**	121,887	**80,295**	108,549
In the third year	**9,431**	13,933	**8,706**	12,800
	373,594	429,099	**326,009**	371,841
Less: Unearned finance income	**(47,585)**	(57,258)	**–**	–
Present value of minimum lease payments	**326,009**	371,841	**326,009**	371,841
Less: Lifetime ECL allowance	**(19,729)**	(12,764)	**(19,729)**	(12,764)
	306,280	359,077	**306,280**	359,077
Analysed for reporting purposes as:				
Current assets			**220,886**	240,050
Non-current assets			**85,394**	119,027
			306,280	359,077

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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Past due by:		
1 – 30 days	**2,482**	243
31 – 90 days	**1,773**	241
More than 90 days	**6,152**	5,738
	10,407	6,222

(b) Loan receivables

Since 1 January 2019, the newly entered sales and leaseback transaction which does not satisfy the requirements of HKFRS 15 as a sale is recognised as a loan receivable in accordance with HKFRS 9.

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate loan receivables	**10,960**	13,241
Less: impairment loss allowance		
– 12-month ECL ("**12m ECL**") allowance	**(125)**	(136)
– lifetime ECL allowance	**(146)**	-
	10,689	13,105
Analysed for reporting purposes as:		
Current assets	**7,222**	7,208
Non-current assets	**3,467**	5,897
	10,689	13,105

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate loan receivables:		
Within one year	**7,447**	7,282
In more than one year but not more than two years	**3,310**	5,441
In more than two years but not more than five years	**203**	518
	10,960	13,241
Less: impairment loss allowance		
– 12m ECL allowance	**(125)**	(136)
– lifetime ECL allowance	**(146)**	–
	10,689	13,105

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Past due by:		
1 – 30 days	**33**	–
31 – 90 days	**33**	–
	66	–

10. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Three months ended		**Six months ended**	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Impairment losses recognised (reversed) on:				
– finance lease receivable	**5,577**	727	**6,965**	1,757
– loan receivables	**(42)**	–	**135**	–
	5,535	727	**7,100**	1,757

11. BANK BORROWINGS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unsecured and guaranteed	**49,600**	56,180
Secured and guaranteed	**30,056**	–
Carrying amounts repayable*:		
Within one year and shown under current liabilities	**79,656**	56,180

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

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

Potential acquisition

In 22 July 2020, a PRC subsidiary of the Company, entered into agreements with a third party to acquire 51% equity interests in a PRC entity, with an amount of RMB3,400,000.

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 2020 together with the corresponding comparative figures.

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. For the six months ended 30 June 2020, the Group has been focusing on providing finance leasing services to the medical device and printing 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 757 SMEs customers in these three industries across 30 provinces, municipalities and autonomous regions in the PRC as at 30 June 2020.

Since the outbreak of Covid-19 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 mandatory extension of holidays in the PRC and the quarantine measures taken by multiple provinces and cities had hindered the operations of the Group and our customers temporarily. The Group was taking proactive measures and making active responses in an effort to minimise the impact caused by the epidemic. As at 30 June 2020, the epidemic situation in China has gradually stabilized and the Group's business has gradually returned to preepidemic levels.

FUTURE 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 Group plans to co-operate 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, artificial intelligence, big data, cloud computing, blockchain, to build an integrated industries Internet service platform based on financial service, asset transactions and value-added services of upstream and downstream industrial chain create an ecological win-win circle for the entire industrial chain. To improve the ability of overall services of the Group to the industrial chain as well as promote the healthy growth of domestic SMEs.

Looking forward, the Group is still reasonably optimistic to sustain the core business given all the economic uncertainties with the outbreak of Covid-19. The Group will continue to seek for the best possible opportunities to grow the Group's business by leveraging current client base. After the epidemic, the healthcare industry 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 and related industry. Moreover, the Group will continue to explore potential opportunities to diversify our business and if appropriate, explore selective acquisition and partnership in order to strengthen the Group's revenue base and maximize both the return to the shareholders and value of the Group.

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 devices, printing and logistics industries in the PRC. For the six months ended 30 June 2020, the Group's revenue decreased by approximately RMB3.0 million or approximately 9.2% to approximately RMB29.8 million (six months ended 30 June 2019: approximately RMB32.9 million). The decrease in revenue for the six months ended 30 June 2020 was mainly attributable to the outbreak of Covid-19 at the beginning of 2020, resulting in the mandatory extension of holidays in the PRC and the quarantine measures taken by multiple provinces and cities had hindered the operations of the Group and our customers temporarily.

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 decreased from RMB7.1 million for the six months ended 30 June 2019 to approximately RMB6.2 million for the six months ended 30 June 2020. Such decrease was mainly attributable to the decrease in average head count and the PRC government has granted a deduction for the Group's contribution of social insurance funds.

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.

For the six months ended 30 June 2020, an additional impairment loss of approximately RMB7.1 million (six months ended 30 June 2019: approximately RMB1.8 million) was recognised. The increase in impairment allowance losses due to the impact of outbreak of Covid-19 in 2020, which caused the increase in the customers' past due ratio.

Other operating expenses

Other operating expenses include primarily travelling expenses, sales and marketing expenses, legal and professional fees, depreciation of right-of-use assets and other expenses. Other operating expenses decreased from approximately RMB7.5 million for the six months ended 30 June 2019 to approximately RMB7.0 million for the six months ended 30 June 2020. The decrease was mainly due to (i) the decrease in travelling expenses and sales and marketing expenses, resulting from temporary suspension of operations of the Group during the period in response to the outbreak of Covid-19 at the beginning of 2020; and (ii) the decrease in legal and professional fees.

Finance costs

Finance costs consist of (i) imputed interest expense on interest- free deposits from finance lease customers; (ii) interest on bank borrowing; and (iii) interests on lease liabilities. Finance costs decreased from approximately RMB5.4 million for the six months ended 30 June 2019 to approximately RMB5.0 million for the six months ended 30 June 2020. The decrease was mainly due to imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB3.5 million for the six months ended 30 June 2019 to approximately RMB2.2 million for the six months ended 30 June 2020 as a result in the reduction in the amount of deposits from finance lease customers, which offsetting (i) the interest on bank borrowing increased from approximately RMB1.7 million for the six months ended 30 June 2019 to approximately RMB2.3 million for the six months ended 30 June 2020; and (ii) the interests on lease liabilities increased from approximately RMB0.2 million for the six months ended 30 June 2019 to approximately RMB0.5 million for the six months ended 30 June 2020.

Taxation

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

Taxation consists of current tax and deferred tax. Income tax credit of RMB0.5 million was recognised for the six months ended 30 June 2020, compared to an income tax expenses of RMB3.7 million was recognised for the six months ended 30 June 2019. The PRC Enterprise Income Tax in the current tax decreased from approximately RMB3.7 million for the six months ended 30 June 2019 to approximately RMB2.2 million for the six months ended 30 June 2020 due to the decrease in net profit. In addition, an income tax credit of RMB3.3 million in the deferred tax was recognised for the six months ended 30 June 2020 due to the reversal of withholding tax for undistributed earnings of PRC subsidiaries and the increase in ECL provision.

Profit and total comprehensive income attributable to owners of the Company

For the six months ended 30 June 2020 and 2019, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB5.2 million and RMB7.4 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company in the current period was mainly attributable to the outbreak of Covid-19 at the beginning of 2020, resulting in the mandatory extension of holidays in the PRC and the quarantine measures taken by multiple provinces and cities had hindered the operations of the Group and our customers temporarily, which led the decrease in revenue; and the increase in the customers' past due ratio, which led the increase in provision for impairment losses under ECL model in accordance with HKFRS 9.

Dividend

On 23 March 2020, a final dividend, in the form of a cash dividend of HK3 cents per share in respect of the year ended 31 December 2019 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 22 May 2020.

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the cash and cash equivalents were approximately RMB41.9 million (31 December 2019: RMB22.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB182.8 million (31 December 2019: RMB172.6 million) and approximately RMB294.6 million (31 December 2019: RMB300.3 million), respectively.

As at 30 June 2020, the Group's bank borrowing with maturity within one year amounted to approximately RMB79.7 million (31 December 2019: RMB56.2 million).

As at 30 June 2020, the gearing ratio was approximately 21.3% (31 December 2019: 15.8%), which is calculated as bank borrowing divided by total equity plus bank borrowing. Such increase was mainly due to increasing bank borrowing for business expansion.

CAPITAL STRUCTURE

The shares of the Company (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 30 June 2020, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000 of HK$0.1 each.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 30 June 2020 were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2020 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 2020.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments of RMB0.5 million in respect of the acquisition of office equipment and leasehold improvement (31 December 2019: RMB4.0 million).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group's certain finance lease receivables and loan receivables with an aggregate carrying value of approximately RMB30.1 million (31 December 2019: 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 2020, 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 this announcement, the Group did not have other future plans for material investments or capital assets as at 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

HUMAN RESOURCES

As at 30 June 2020, the Group had 65 employees (31 December 2019: 56 employees) with total staff cost of approximately RMB6.2 million incurred for the six months ended 30 June 2020 (30 June 2019: RMB7.1 million). The employees retirement benefit expense incurred during the six months ended 30 June 2020 was approximately RMB0.1 million (30 June 2019: 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 six months ended 30 June 2020.

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 Company's prospectus dated 25 June 2018 (the "**Prospectus**"). Thus, the Company plans to apply 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 as at 30 June 2020.

Use of proceed	Adjusted allocation of the Actual Net Proceeds	Actual usage of the Actual Net Proceeds	Unused balance of the Actual Net Proceeds as at 1 January 2020	Used during six months ended 30 June 2020	Unused balance of the Actual Net Proceeds as at 30 June 2020	Expected time of full utilisation of the unused balance of the Actual Net Proceeds
	HK$'000	*HK$'000*	*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	–	–	–	N/A
Expanding the Group's business in these two industries in the northern and eastern parts of China	3,146	2,609	1,059	522	537	On or before 31 December 2020
Exploring the new target industries for the Group's finance leasing business	1,003	660	343	–	343	On or before 31 December 2020
General working capital	1,049	1,049	–	–	–	N/A
	45,600	44,720	1,402	522	880	

For the six months ended 30 June 2020, an additional Actual Net Proceeds of approximately RMB0.5 million (six months ended 30 June 2019: approximately RMB0.7 million) were used. As at 30 June 2020, approximately HK$44.7 million (31 December 2019: HK$44.2 million) in aggregate out of the Actual Net Proceeds had been used.

The remaining unused balance of Actual Net Proceeds as at 30 June 2020 were placed as deposits with licensed banks in the PRC and are currently intended to be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

COMPETING INTEREST

For the six months ended 30 June 2020, 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 during the period 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 period 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. Other than the deviation from code provision A.2.1, the Company has 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.

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

Save as disclosed in note 12 in this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2020 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 30 June 2020, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct for the six months ended 30 June 2020 and up to date of this announcement.

AUDIT COMMITTEE AND REVIEW OF QUARTERLY 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 our non-executive Director, namely Mr. Lyu Di and two of our independent non- executive Directors, namely Mr. Chan Chi Fung Leo and Mr. Zhang Yong 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 financial statements of the Group for the six months ended 30 June 2020 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 2020 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 Chief Executive Officer

Hong Kong, 14 August 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. Chow Siu Hang and Mr. Zhang Yong.

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