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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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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.*

The board of Directors (the "**Board**") hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "**Group**") for the three months and nine months ended 30 September 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

		Three months ended		**Nine months ended**	
		30.9.2020	30.9.2019	**30.9.2020**	30.9.2019
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*3*	**14,028**	16,344	**43,875**	49,224
Direct operating costs		**(456)**	–	**(456)**	–
Gross profit		**13,572**	16,344	**43,419**	49,224
Bank interest income		**11**	4	**34**	19
Other gains and losses		**32**	65	**238**	75
Staff costs	*6*	**(3,477)**	(2,526)	**(9,687)**	(9,601)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		**100**	115	**(7,000)**	(1,642)
Other operating expenses		**(3,414)**	(2,933)	**(10,437)**	(10,466)
Share of loss of an associate		**–**	(10)	**–**	(47)
Finance costs	*4*	**(2,122)**	(2,258)	**(7,143)**	(7,658)
Profit before taxation		**4,702**	8,801	**9,424**	19,904
Taxation	*5*	**(10)**	(2,337)	**506**	(6,024)
Profit and total comprehensive income for the period	*6*	**4,692**	6,464	**9,930**	13,880
Profit attributable to:					
Owners of the Company		**4,661**	6,464	**9,899**	13,880
Non-controlling interests		**31**	–	**31**	–
		4,692	6,464	**9,930**	13,880
Earnings per share					
– Basic *(RMB cents)*	*8*	**1.17**	1.62	**2.47**	3.47

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Share capital	**Share premium**	**Capital and other reserves**	**Statutory reserves**	**Retained profits**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note (i))	*(Note (ii))*			
At 1 January 2020 (unaudited)	33,839	84,435	133,023	7,590	41,384	–	300,271
Profit and total comprehensive income for the period	–	–	–	–	9,899	31	9,930
Dividends recognised as distribution	–	–	–	–	(10,884)	–	(10,884)
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	–	714	714
At 30 September 2020 (unaudited)	33,839	84,435	133,023	7,590	40,399	745	300,031
At 1 January 2019 (unaudited)	33,839	84,435	133,023	5,392	26,709	–	283,398
Profit and total comprehensive income for the period	–	–	–	–	13,880	–	13,880
At 30 September 2019 (unaudited)	33,839	84,435	133,023	5,392	40,589	–	297,278

Notes:

(i) Capital and other reserves represents (i) the reserve arising from the acquisition of 55% equity interest of Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited ("**ZYY Finance Leasing**"), a subsidiary of the company, through acquisition of HK Lixin Trade Co., Limited ("**HK Lixin**"); (ii) the difference between the aggregate of the issued capital of HK Lixin and ZYY Finance Leasing directly attributable to Mr. Zhang Junshen and Mr. Zhang Junwei, the controlling individual shareholders of the Company (the "**Controlling Individual Shareholders**") and the net assets value of HK Lixin upon insertion of the Company and Honor Global Holding Limited as part of the group reorganisation; (iii) the consideration paid on the acquisition of the remaining 45% equity interest of ZYY Finance Leasing by HK Lixin from the Controlling Individual Shareholders; and (iv) Hero Global Limited, an immediate holding company of the Company, waived an amount due from HK Lixin, a subsidiary of the Company, amounting to RMB68,000,000, which was accounted for as a deemed capital contribution from a shareholder.

(ii) Pursuant to the articles of association of the subsidiaries established in the People's Republic of China (the "**PRC**"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant PRC regulations before any distribution of dividends to owners each year to the statutory reserve until the balance reaches 50% of its registered capital.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

Significant events and transactions in the current 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 changes in accounting policies resulting from application of new and amendments to HKFRSs and the accounting policy stated below for the new items in the current period (in respect of investments in associates and research and development expenditure), the accounting policies and method of computation used in the condensed consolidated financial statements for the nine months ended 30 September 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 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 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 period.

3. REVENUE

	Three months ended		**Nine months ended**	
	30.9.2020	30.9.2019	**30.9.2020**	30.9.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Finance leasing income	**13,036**	16,344	**41,910**	49,224
Interest income from loan receivables	**160**	–	**1,133**	–
Postpartum care services income	**832**	–	**832**	–
	14,028	16,344	**43,875**	49,224

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	**30.9.2020**	30.9.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interests on bank borrowing repayable within one year	**1,188**	1,296	**3,530**	2,979
Imputed interests on interest-free deposits from finance lease customers	**721**	868	**2,921**	4,397
Interests on lease liabilities	**213**	94	**692**	282
	2,122	2,258	**7,143**	7,658

5. TAXATION

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	**30.9.2020**	30.9.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
The charge (credit) comprises:				
Current tax				
– PRC Enterprise Income Tax	**(500)**	3,084	**1,708**	6,778
– Withholding tax levied on dividend declared of a PRC subsidiary	**–**	–	**600**	–
Deferred tax	**510**	(747)	**(2,814)**	(754)
	10	2,337	**(506)**	6,024

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's operation in Hong Kong had no assessable income during both periods.

Under the Enterprise Income Tax Law of PRC (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% during the reporting period.

6. PROFIT FOR THE PERIOD

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

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	**30.9.2020**	30.9.2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Directors' emoluments	**382**	92	**1,261**	765
Other staff costs				
– Salaries, allowances and other staff benefits	**3,038**	1,882	**8,900**	8,850
– Staffs' retirement benefit scheme contributions	**532**	735	**602**	1,137
Total staff costs	**3,952**	2,709	**10,763**	10,752
Less: staff costs recognised as research and development costs in other operating expenses	**(475)**	(183)	**(1,076)**	(1,151)
Staff costs recognised in profit or loss	**3,477**	2,526	**9,687**	9,601
Research and development costs recognised as an expense (included in other operating expenses)	**496**	225	**1,184**	1,277
Written off furniture and office equipment	**–**	–	**–**	15
Depreciation of furniture and office equipment	**157**	45	**377**	171
Depreciation of right-of-use assets	**1,020**	857	**3,060**	2,175
Total depreciation	**1,177**	902	**3,437**	2,346
Short-term leases payments	**288**	–	**288**	37
Covid-19-related rent concessions	**–**	–	**(484)**	–

7. DIVIDENDS

During the current 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 and paid amounted to HK$12,000,000 (equivalent to RMB10,884,000) (nine months ended 30 September 2020: Nil).

The directors of the Company do not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2020 (nine months ended 30 September 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		**Nine months ended**	
	30.9.2020	30.9.2019	**30.9.2020**	30.9.2019
	(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 *(RMB'000)*	**4,661**	6,464	**9,899**	13,880
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share *('000)*	**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 the three months and nine months ended 30 September 2019 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of the Company announces the unaudited condensed consolidated quarterly results of the Group for the nine months ended 30 September 2020 together with the corresponding comparative figures.

BUSINESS REVIEW

Finance leasing services

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 nine months ended 30 September 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 911 SMEs customers in these three industries across 30 provinces, municipalities and autonomous regions in the PRC as at 30 September 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 September 2020, the epidemic situation in China has gradually stabilized and the Group's business has gradually returned to pre-epidemic levels.

Postpartum care services

Postpartum confinement (坐月) is a traditional Chinese custom, which allows women to rest fully after giving birth, and to recover through diet. It is said that it is the best time for women to improve their physical well-being. Hence, centres for the provision of postpartum care services (月子中心) had emerged.

In August 2020, the Group completed the acquisition of 51% equity interests in Wuhan Desheng Meimei Health Management Co., Ltd., which is principally engaged in provision of postpartum care services in Wuhan, the PRC.

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 and create an ecological win-win circle for the entire industrial chain, which helps the Group to improve the ability of overall services 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.

The PRC government has gradually relaxed the one-child policy in recent years. In October 2015, the PRC announced the universal two-children policy to boost the country's stagnating population growth. As a result, the birth rate in the PRC had risen sharply. Between 2017 and 2018, the total number of second-child births was more than 16 million, accounting for 50% of the total birth population. According to a public research report in relation to postpartum care industry market demand and investment planning, the market size of postpartum care centres in the PRC has been increasing since 2010 and is estimated to reach approximately RMB29 billion by 2024, showing a positive prospect for the industry. Together with the increase in gross domestic product per capita in tier 1 and tier 2 cities in the PRC, the Target Group is expected to benefit from the robust outlook of the postpartum care centres. The maternal and child healthcare related services have a rigid demand and the overall market will continue to grow rapidly.

The COVID-19 epidemic had severely impacted the global economy, and in particular, the first quarter of 2020 for the PRC. Besides groceries and daily necessities, medical and healthcare products and services, the postpartum care services industry could also maintain its normal operations during such difficult times, which reflect the rigid demand of the postpartum care services in the PRC market. Given that the expected date of delivery of the newborn is fixed, parents are required to make pre-arrangements for postpartum care services. In light of the sudden outbreak of the global pandemic, it was found that many parents prefer to use postpartum care centres instead of hiring post-natal care worker（陪月）/ maternity matron（月嫂）, as health conditions of the latter is less guaranteed. Further, the healthcare of postpartum care centres has a complete range of nursing expertise and functions, which is incomparable to hiring a housekeeping helper to take care of household chores.

At present, the concentration of the postpartum care service industry is extremely low, which is a common phenomenon for an industry in its early stage of development. Due to the increasing wealth of Chinese that is followed by increasing demand for better health and lifestyle, together with the favourable government policies in place, the next ten years is believed to be the golden decade for the development of the postpartum care service industry.

The Group believes provision of postpartum care services will be a good entry point to the healthcare industry. 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 the value of the Group.

FINANCIAL REVIEW

Revenue

Revenue consists of (i) finance leasing income and interest income from loan receivables in finace leasing services; and (ii) postpartum care services income since August 2020. For the nine months ended 30 September 2020, the Group's revenue decreased by approximately RMB5.3 million or approximately 10.9% to approximately RMB43.9 million (nine months ended 30 September 2019: approximately RMB49.2 million). The decrease in revenue for the nine months ended 30 September 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, which offsetting the new postpartum care services income.

Direct operating costs

Direct operating costs mainly consist of salaries and benefits expenses for the caregivers and staff for provision of postpartum care services, short-term lease expenses for postpartum care centres, costs for confinement meals and consumables for provision of postpartum care services. The Group incurred the direct operating costs since commencement of postpartum care services business in August 2020.

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 RMB9.6 million for the nine months ended 30 September 2019 to approximately RMB9.7 million for the nine months ended 30 September 2020. Such increase was mainly attributable to the increase in average head count, which offsetting a deduction in contribution of social insurance funds granted by the PRC government.

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 nine months ended 30 September 2020, an additional impairment loss of approximately RMB7.0 million (nine months ended 30 September 2019: approximately RMB1.6 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 RMB10.5 million for the nine months ended 30 September 2019 to approximately RMB10.4 million for the nine months ended 30 September 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 fee, which offsetting the expenses incurred by new postpartum care services business.

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 RMB7.7 million for the nine months ended 30 September 2019 to approximately RMB7.1 million for the nine months ended 30 September 2020. The decrease was mainly due to imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB4.4 million for the nine months ended 30 September 2019 to approximately RMB2.9 million for the nine months ended 30 September 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 RMB3.0 million for the nine months ended 30 September 2019 to approximately RMB3.5 million for the nine months ended 30 September 2020; and (ii) the interests on lease liabilities increased from approximately RMB0.3 million for the nine months ended 30 September 2019 to approximately RMB0.7 million for the nine months ended 30 September 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 nine months ended 30 June 2020, compared to an income tax expenses of RMB6.0 million was recognised for the nine months ended 30 September 2019. The PRC Enterprise Income Tax in the current tax decreased from approximately RMB6.8 million for the nine months ended 30 September 2019 to approximately RMB1.7 million for the nine months ended 30 September 2020 due to the decrease in net profit. In addition, an income tax credit of RMB2.8 million in the deferred tax was recognised for the nine months ended 30 September 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 nine months ended 30 September 2020 and 2019, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB9.9 million and RMB13.9 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 nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

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 30 September 2020, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000.

COMPETING INTEREST

During the nine months ended 30 September 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 since the nine months ended 30 September 2020 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 since the nine months ended 30 September 2020 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

The Directors are not aware of any significant event which had material effect on the Group subsequent to 30 September 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 September 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 nine months ended 30 September 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 one of our non-executive Directors, namely Mr. Lyu Di and two of our independent non-executive Directors, namely 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 nine months ended 30 September 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.

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

Hong Kong, 6 November 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.