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 2020

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.

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 2020, together with the comparative figures for the corresponding periods in 2019, as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Revenue			
Financing leasing income		**54,584**	67,064
Interest income from loan receivables		**1,738**	1,061
Income from postpartum care services		**2,190**	-
Total revenue	*3*	**58,512**	68,125
Bank interest income		**46**	28
Other gains and losses	*5*	**4,467**	1,328
Staff costs	*8*	**(14,636)**	(13,778)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*7*	**(3,500)**	(2,861)
Other operating expenses		**(21,438)**	(13,301)
Share of loss of an associate		**–**	(60)
Finance costs	*6*	**(8,296)**	(13,028)
Profit before income tax	*8*	**15,155**	26,453
Income tax expenses	*9*	**(2,270)**	(9,580)
Profit and total comprehensive income for the year		**12,885**	16,873
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**12,981**	16,873
Non-controlling interests		**(96)**	–
		12,885	16,873
Earnings per share for profit attributable to owners of the Company during the year *(RMB cents)*			
– Basic and diluted	*11*	**3.25**	4.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**14,567**	939
Right-of-use assets		**10,295**	13,969
Intangible assets	*13*	**9,232**	–
Finance lease receivable	*14*	**84,380**	119,027
Loan receivables	*14*	**864**	5,897
Prepayments for leasehold improvement		**–**	6,485
Prepayments for acquisition of subsidiaries		**7,200**	–
Deferred tax assets		**5,070**	4,996
Refundable rental deposits		**1,017**	1,072
		132,625	152,385
CURRENT ASSETS			
Finance lease receivable	*14*	**207,488**	240,050
Loan receivables	*14*	**6,935**	7,208
Prepayments and other receivables		**7,749**	4,577
Restricted bank deposits		**–**	61
Bank balances and cash		**84,814**	22,291
		306,986	274,187
CURRENT LIABILITIES			
Other payables and accrued charges		**12,076**	5,796
Provision for taxation		**6,018**	8,593
Lease liabilities		**3,491**	4,031
Deposits from finance lease customers		**5,422**	24,956
Deferred income		**399**	2,070
Bank borrowings	*15*	**99,730**	56,180
		127,136	101,626
NET CURRENT ASSETS		**179,850**	172,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**312,475**	324,946

	2020	2019
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,146**	1,978
Lease liabilities	**7,729**	10,857
Deposits from finance lease customers	**257**	10,096
Deferred income	**31**	1,744
	9,163	24,675
NET ASSETS	**303,312**	300,271
CAPITAL AND RESERVES		
Share capital	**33,839**	33,839
Reserves	**268,529**	266,432
Equity attributable to owners of the Company	**302,368**	300,271
Non-controlling interests	**944**	–
TOTAL EQUITY	**303,312**	300,271

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.

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 and postpartum care services in the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new or amended HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

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

These new or amended HKFRSs did not have any significant impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

– 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;

– the 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.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

3. REVENUE

Revenue for the year represents finance leasing income, interest income on loan receivables received and receivable arising from the finance leasing activities and income from postpartum care services in the PRC. The amounts of each significant category of revenue recognised in revenue during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Finance leasing income	**54,584**	67,064
Interest income from loan receivables	**1,738**	1,061
Income from postpartum care services	**2,190**	–
	58,512	68,125

4. SEGMENT INFORMATION

For the year ended 31 December 2020, information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

2020

	Finance leasing service *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment revenue (external customers)	56,322	2,190	58,512
Reportable segment profit/(loss)	27,340	(227)	27,113
Other corporate income			1,602
Other corporate expenses			(12,209)
Finance costs			(1,351)
Profit before income tax			15,155
Reportable segment assets	368,523	9,800	378,323
Property, plant and equipment			2,043
Prepayments and other receivables			429
Intangible assets			5,014
Deferred tax assets			5,070
Cash and bank balances			39,519
Prepayments in acquisition of subsidiaries			7,200
Refundable rental deposit			510
Right-of-use assets			1,503
Group assets			439,611

	Finance leasing service *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment liabilities	86,931	2,363	89,294
Other payables and accrued charges			5,398
Lease liabilities			1,443
Provision for taxation			6,018
Bank borrowings			33,000
Deferred tax liabilities			1,146
Group liabilities			136,299
Capital expenditure	13,146	294	13,440
Impairment of finance lease receivables	3,500	–	3,500
Interest income	29	2	31
Interest expenses	6,945	–	6,945
Depreciation	1,143	8	1,151

2019

	Finance leasing service *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment revenue (external customers)	68,125	–	68,125
Reportable segment profit	33,822	–	33,822
Other corporate income			436
Other corporate expenses			(7,465)
Share of loss of associate			(60)
Finance costs			(280)
Profit before income tax			26,453
Reportable segment assets	415,035	–	415,035
Property, plant and equipment			702
Prepayments and other receivables			22
Deferred tax assets			4,996
Restricted bank deposits			61
Cash and bank balances			2,360
Refundable rental deposit			564
Right-of-use assets			2,832
Group assets			426,572

	Finance leasing service *RMB'000*	Postpartum care service *RMB'000*	Total *RMB'000*
Reportable segment liabilities	106,386	–	106,386
Other payables and accrued charges			3,385
Lease liabilities			2,959
Provision for taxation			8,593
Bank borrowings			3,000
Deferred tax liabilities			1,978
Group liabilities			126,301
Capital expenditure	118	–	118
Impairment of finance lease receivables	2,861	–	2,861
Interest income	26	–	26
Interest expenses	12,748	–	12,748
Depreciation	93	–	93

For the years ended 31 December 2020 and 2019, 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.

5. OTHER GAINS AND LOSSES

	2020 ***RMB'000***	2019 *RMB'000*
Gain on sales of finance lease receivable	**–**	1,044
Gain on disposal of investments in an associate	**–**	260
Gain on investment of structured deposits	**1,994**	63
Government subsidies	**2,078**	–
Exchange loss, net	**(358)**	(71)
Covid-19-related rent concession	**726**	–
Others	**27**	32
	4,467	1,328

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Imputed interests on interest-free deposits from finance lease customers	**2,878**	8,078
Interests on bank borrowings repayable within one year	**4,521**	4,379
Interests on lease liabilities	**897**	508
Interests on financial liability arising from repurchase agreements	**–**	63
	8,296	13,028

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

	2020	2019
	RMB'000	*RMB'000*
Impairment losses recognised on:		
– finance lease receivable	**3,567**	2,725
– loan receivables	**(67)**	136
	3,500	2,861

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2020	2019
	RMB'000	*RMB'000*
Directors' emoluments	**1,780**	1,514
Other staff costs		
– Salaries, allowances and other staff benefits	**13,990**	12,868
– Staffs' retirement benefit scheme contributions	**66**	763
Total staff costs	**15,836**	15,145
Less: staff costs recognised as research and development costs in other operating expenses	**(1,200)**	(1,367)
Staff costs recognised in profit or loss	**14,636**	13,778
Amortisation of intangible assets	**85**	–
Auditor's remuneration	**1,449**	1,100
Depreciation of property, plant and equipment	**1,531**	335
Depreciation of right-of-use assets	**4,110**	2,754
Plant and equipment written off	**1**	15
Research and development costs recognised as an expense (included in other operating expenses)	**1,593**	1,451
Short-term leases payments	**894**	483

9. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**3,401**	8,022
Deferred tax	**(1,131)**	1,558
	2,270	9,580

10. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Final dividend paid in respect of prior year of HK$0.03 (2019: Nil) per share	**10,884**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK2.5 cents (2019: HK3 cents) 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 is based on the profit attributable to owners of the Company of RMB12,981,000 (2019: RMB16,873,000) and on the weighted average number of ordinary shares in issue during the year of 400,000,000 (2019: 400,000,000).

Diluted earnings per share is the same as basic earnings per share as there was no potential dilutive ordinary share in issue during both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment *RMB'000*	**Leasehold improvements** *RMB'000*	**Motor vehicle** *RMB'000*	**Total** *RMB'000*
Cost				
At 1 January 2019	1,067	–	–	1,067
Additions	203	535	–	738
Write off	(22)	–	–	(22)
At 31 December 2019	1,248	535	–	1,783
Acquisition of subsidiaries	8	–	–	8
Additions	1,303	12,605	1,244	15,152
Write off	(28)	–	–	(28)
At 31 December 2020	2,531	13,140	1,244	16,915
Accumulated depreciation				
At 1 January 2019	516	–	–	516
Depreciation	228	107	–	335
Write off	(7)	–	–	(7)
At 31 December 2019	737	107	–	844
Depreciation	286	1,245	–	1,531
Write off	(27)	–	–	(27)
At 31 December 2020	996	1,352	–	2,348
Net book value				
At 31 December 2020	1,535	11,788	1,244	14,567
At 31 December 2019	511	428	–	939

13. INTANGIBLE ASSETS

	Goodwill	Trademark	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2020	–	–	–	–
Acquisition of subsidiaries	2,318	1,900	–	4,218
Addition	–	–	5,099	5,099
At 31 December 2020	2,318	1,900	5,099	9,317
Accumulated amortisation				
At 1 January 2020	–	–	–	–
Amortisation	–	–	85	85
At 31 December 2020	–	–	85	85
Net carrying amount				
At 31 December 2020	2,318	1,900	5,014	9,232
At 31 December 2019	–	–	–	–

14. FINANCE LEASE RECEIVABLE/LOAN RECEIVABLES

Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance lease receivable comprises:				
Within one year	**256,374**	293,279	**221,404**	250,492
In the second year	**83,200**	121,887	**74,670**	108,549
In the third year	**12,715**	13,933	**12,125**	12,800
	352,289	429,099	**308,199**	371,841
Less: Unearned finance income	**(44,090)**	(57,258)	**-**	–
Present value of minimum lease payments	**308,199**	371,841	**308,199**	371,841
Less: lifetime ECL allowance	**(16,331)**	(12,764)	**(16,331)**	(12,764)
	291,868	359,077	**291,868**	359,077
Analysed for reporting purposes as:				
Current assets			**207,488**	240,050
Non-current assets			**84,380**	119,027
			291,868	359,077

Loan receivable

	2020	2019
	RMB'000	*RMB'000*
Fixed-rate loan receivables:		
Within one year	**6,999**	7,282
In more than one year but not more than two years	**798**	5,441
In more than two years but not more than five years	**71**	518
	7,868	13,241
Less: 12m ECL allowance	**(69)**	(136)
	7,799	13,105
Analysed for reporting purposes as:		
Current assets	**6,935**	7,208
Non-current assets	**864**	5,897
	7,799	13,105

15. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank borrowings due for repayment within one year		
– Unsecured and guaranteed	**69,650**	56,180
– Secured and guaranteed	**30,080**	–
Total bank borrowings	**99,730**	56,180

16. EVENTS AFTER THE REPORTING DATE AND EFFECT OF COVID-19

On 27 November 2020, the Group entered into the equity transfer agreement with independent third parties to purchase the entire equity interest in Guangzhou Sheng Cheng Dunnan Enterprise Management Co., Limited ("**Sheng Cheng**"), a limited liability company incorporated in the PRC, with the consideration of RMB31 million. Sheng Cheng and its subsidiaries are engaged in the provision of postpartum care services in the PRC. The equity was transferred in February 2021. Because it was completed close to the date of approval of these financial statements, it is not practicable to disclose further details in relation to the acquisition as at the date of the approval of these financial statements.

On 4 December 2020, the Group entered into the equity transfer agreement with independent third parties to purchase 54% of equity share of Wuhan Jiaenbei Health Management Co. Ltd. ("**Jiaenbei**"), a limited liability company incorporated in the PRC with consideration of RMB3.24 million. Jiaenbei is engaged in provision of postpartum care service in the PRC. The equity was transferred in January 2021. Because it was completed close to the date of approval of these financial statements, it is not practicable to disclose further details in relation to the acquisition as at the date of the approval of these financial statements.

The World Health Organisation declared coronavirus and Covid-19 a global health emergency on 30 January 2020. 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 and rent concessions from a lessor.

The directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Finance leasing services

For the year ended 31 December 2020, the Group has been focusing on provision of finance leasing services to SMEs customers in the medical equipment industry 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 Group provided services to approximately 1,000 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 31 December 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. The medical equipment industry is an industry that has benefited from the pandemic. During the year, the Group adjusted its target industries to focus on the medical equipment industry. As at 31 December 2020, the epidemic situation in China has gradually stabilized and the Group's business has gradually returned to pre-epidemic levels.

Maternal and child postpartum care industry 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.

During the year ended 31 December 2020, the Group acquired a high-end postpartum care center and established a landmark flagship postpartum care center to provide postpartum care services in Wuhan, the PRC, consisting of four major areas of (i) health care for postpartum mothers and newborn babies; (ii) dietary and nutrition for postpartum mothers; (iii) recovery and beauty for postpartum mothers; and (iv) intellectual development for newborn babies.

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.

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 pandemic, the healthcare industry will be a new economic breakthrough with significant value-added potentials. The Group initiated pre-emptive deployment of medical equipment leasing, medical equipment trading and related fields in order to capture 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 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 maternal and child postpartum care industry is extremely low, which is a common phenomenon for an industry in its early stage of development. Due to the increasing wealth of the 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 maternal and child postpartum care industry 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. The Group has established Shenzhen Meijiaer Health Management Co., Ltd.* (深圳市美佳爾健康管理有限公司) in 2020, which focuses on the provision of maternal and child postpartum care industry services in the PRC. Currently, the Group will focus on developing its postpartum care business in the Southern China and Central China regions, and through acquisitions and opening of landmark flagship postpartum care centres, to increase its market share. The Group aims to provide one-stop services for mothers and infants through upstream and downstream linkage, ranging from postpartum cares centres and training schools for maternity matron and nursery teachers,to maternal and infant e-commerce for the sales of maternal and infant products. The Group is committed to establishing a comprehensive maternal and infant one-stop-shop.

Currently, the Group will focus on developing its maternal and child postpartum care industry services in the Southern China and Central China regions, and through acquisitions and opening of landmark flagship postpartum care centres, to increase its market share. In tier 1 cities, the high-end postpartum care centres is gradually becoming saturated, and is facing intense market competition. Therefore, the Group has shifted its target to mid-end brands in tier 1 cities, focusing on middle-class consumers.

In tier 2 cities, the postpartum care service industry is highly fragmented, as the market for high-end postpartum care centres has not saturated yet, there are plenty of opportunities for industry integration. The Group plans to acquire high-end postpartum care centres, as well as set up self-operated flagship postpartum care centres to increase its market share in tier 2 cities, and offer quality and affordable postpartum care services to the general Chinese population.

The Group plans to enhance its competitive edge by exploring opportunities with local hospitals to provide pregnant women with convenient appointment booking and treatment channels, and to resolve the difficulty for pregnant women to make a reservation in large hospitals, in addition to services provided by the postpartum care centres, creating a one-stop-shop platform for its customers.

FINANCIAL REVIEW

Revenue

Revenue consists of (i) finance leasing income and interest income from loan receivables in finance leasing services; and (ii) postpartum care services income since August 2020. For the year ended 31 December 2020, the Group's revenue decreased by approximately RMB9.6 million or approximately 14.1% to approximately RMB58.5 million (2019: RMB68.1 million). The decrease in revenue for the year ended 31 December 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 of RMB2.2 million.

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 RMB13.8 million for the year ended 31 December 2019 to approximately RMB14.6 million for the year ended 31 December 2020. The increase was mainly attributable to (i) the increase in head count and staff salaries for existing staff; and (ii) the additional staff costs incurred by new postpartum care services business, 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.

During the year ended 31 December 2020, an additional impairment loss of approximately RMB3.5 million (2019: RMB2.9 million) was recognised. The increase in impairment allowance losses due to the impact of the 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 increased from approximately RMB13.3 million for the year ended 31 December 2019 to approximately RMB21.4 million for the year ended 31 December 2020. The increase was mainly due to (i) the increase in depreciation of property, plant and equipment and right-of-use assets, resulting from hiring a new head office in Shenzhen, the PRC during the year in order to develop the new business and accommodate the increase in number of staff; (ii) the increase in legal and professional fee mainly due to the acquisition of subsidiaries; and (iii) 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 RMB13.0 million for the year ended 31 December 2019 to approximately RMB8.3 million for the year ended 31 December 2020. The decrease was mainly due to imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB8.1 million for the year ended 31 December 2019 to approximately RMB2.9 million for the year ended 31 December 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 RMB4.4 million for the year ended 31 December 2019 to approximately RMB4.5 million for the year ended 31 December 2020; and (ii) the interests on lease liabilities increased from approximately RMB0.5 million for the year ended 31 December 2019 to approximately RMB0.9 million for the year ended 31 December 2020.

Taxation

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

Profit for the year attributable to owners of the Company

For the years ended 31 December 2020 and 2019, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB13.0 million and RMB16.9 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company in the current period was mainly attributable to (i) 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 to the decrease in revenue; (ii) 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; (iii) the increase in depreciation of property, plant and equipment and right-of-use assets; and (iv) the increase in legal and professional fee due to the acquisition of subsidiaries, which offsetting the decrease in finance costs and income tax expenses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2020, the cash and cash equivalents were approximately RMB84.8 million (2019: approximately RMB22.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB179.9 million (2019: approximately RMB172.6 million) and approximately RMB303.3 million (2019: approximately RMB300.3 million), respectively.

As at 31 December 2020, the Group's bank borrowings with maturity within one year amounted to approximately RMB99.7 million (2019: RMB56.2 million).

As at 31 December 2020, the gearing ratio was approximately 24.7% (2019: 15.8%), 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 2020, 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 2020 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 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 year ended 31 December 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of RMB27.0 million (2019: RMB4.0 million) in respect of the acquisition of office equipment and leasehold improvement and acquisition of subsidiaries.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the Group's finance lease receivable and loan receivables with an aggregate carrying values of approximately RMB25.1 million (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

On 22 July 2020, the Group entered into a sale and purchase agreement with an independent third party to acquire 51% equity interest in Wuhan Desheng Meimei Health Management Co., Ltd. ("**Desheng Meimei**"), a company incorporated in the PRC with the consideration of RMB3,400,000. Desheng Meimei is engaged in the provision of postpartum care services in the PRC. The acquisition was completed in August 2020.

Under the sales and purchase agreement, Desheng Meimei would have to achieve yearly financial performance targets starting from acquisition date to 31 December 2023, which are profit after tax of RMB1,500,000, RMB1,200,000 and RMB1,300,000 for period from the acquisition date to 31 December 2021, year ending 31 December 2022 and year ending 31 December 2023 respectively.

On 27 November 2020, the Group entered into the equity transfer agreement with independent third parties to purchase the entire equity interest in Guangzhou Sheng Cheng Dunnan Enterprise Management Co., Limited ("**Sheng Cheng**"), a limited liability company incorporated in the PRC, with the consideration of RMB31 million. Sheng Cheng and its subsidiaries are engaged in the provision of postpartum care services in the PRC. The equity was transferred in February 2021. Details of the acquisition are set out in the Company's announcement and circular dated 27 November 2020 and 23 December 2020 respectively.

On 4 December 2020, the Group entered into the equity transfer agreement with independent third parties to purchase 54% of equity share of Wuhan Jiaenbei Health Management Co. Ltd. ("**Jiaenbei**"), a limited liability company incorporated in the PRC with consideration of RMB3.24 million. Jiaenbei is engaged in provision of postpartum care service in the PRC. The equity was transferred in January 2021.

Save as the above, the Group did not have other significant investment, material acquisition nor disposal of subsidiaries and affiliated companies during the year ended 31 December 2020.

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.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES

As at 31 December 2020, the Group had 102 employees (2019: 56 employees) with total staff cost of approximately RMB15.8 million incurred for the year ended 31 December 2020 (2019: RMB15.1 million). The employees retirement benefit expense incurred during the year ended 31 December 2020 was approximately RMB0.1 million (2019: RMB0.8 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 2020.

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 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 year ended 31 December 2020	Unused balance of the Actual Net Proceeds as at 31 December 2020
	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	–	–	–
Expanding the Group's business in these two industries in China	3,146	2,087	1,059	1,059	–
Exploring the new target industries for the Group's finance leasing business	1,003	660	343	343	–
General working capital	1,049	1,049	–	–	–
	45,600	44,198	1,402	1,402	–

For the year ended 31 December 2020, an additional Actual Net Proceeds of approximately RMB1.4 million (2019: RMB2.0 million) were used. As at 31 December 2020, all the Actual Net Proceeds had been fully utilized in accordance with the aforementioned manner.

COMPETING INTEREST

During the year ended 31 December 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, Mr. Zhang Junwei, and their respective holding companies, namely Hero Global Limited and Icon Global Holding Limited (the "**Controlling Shareholders**") entered into a deed of non-competition dated 12 June 2018 ("**Deed of Non-competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders 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 16 to this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2020 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 25 March 2021, the Board recommended the payment of a final dividend of HK2.5 cents per share, in form of a cash dividend, to the Shareholders. The proposed final dividend for 2020 is expected to be paid to the shareholders on or before Wednesday, 9 June 2021, 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 Monday, 10 May 2021 (the "**2021 AGM**"), the register of members of the Company will be closed from Wednesday, 5 May 2021 to Monday, 10 May 2021, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Monday, 10 May 2021 will be entitled to attend and vote at the 2021 AGM. In order to qualify for attending and voting at the 2021 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 Tuesday, 4 May 2021.

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, 17 May 2021 to Tuesday, 18 May 2021, during which period no transfer of shares will be registered. The record date for determination of entitlement to the final dividend shall be Tuesday, 18 May 2021. Shareholders whose names appear on the register of members of the Company on Tuesday, 18 May 2021 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, 14 May 2021.

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 2020, 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 2020. 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 an 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 BDO LIMITED

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 2020 as set out in this preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited 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 2020 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, 25 March 2021

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.