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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

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

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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 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 ended 31 March 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Three months ended 31 March	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*		
Finance lease income		**12,863**	14,502
Interest income from loan receivables		**290**	496
Income from postpartum care services		**9,400**	–
Total revenue		**22,553**	14,998
Bank interest income		**96**	8
Other gains and losses	*4*	**1,338**	8
Staff costs		**(7,597)**	(3,198)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*6*	**(254)**	(1,565)
Other operating expenses		**(10,503)**	(2,855)
Finance costs	*5*	**(2,041)**	(2,301)
Profit before income tax		**3,592**	5,095
Income tax expenses	*7*	**(521)**	(1,475)
Profit and total comprehensive income for the period	*8*	**3,071**	3,620
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**3,011**	3,620
Non-controlling interests		**60**	–
		3,071	3,620
Earnings per share for profit attributable to owners of the Company during the period – Basic and diluted *(RMB cents)*	*10*	**0.75**	0.91

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	**Share premium**	**Capital and other reserves**	**Statutory reserves**	**Retained profits**	**Total**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note (i))	*(Note (ii))*	*(Note (iii))*				
At 1 January 2021 (audited)	33,839	73,551	133,023	8,817	53,138	302,368	944	303,312
Profit and total comprehensive income for the period	–	–	–	–	3,011	3,011	60	3,071
Acquisition of subsidiaries	–	–	–	–	–	–	3,254	3,254
At 31 March 2021 (unaudited)	33,839	73,551	133,023	8,817	56,149	305,379	4,258	309,637
At 1 January 2020 (audited)	33,839	84,435	133,023	7,590	41,384	300,271	–	300,271
Profit and total comprehensive income for the period	–	–	–	–	3,620	3,620	–	3,620
At 31 March 2020 (unaudited)	33,839	84,435	133,023	7,590	45,004	303,891	–	303,891

Notes:

(i) Under the Companies Law (Revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than aggregate of its liabilities and its issued share capital account.

(ii) 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 ("**Hero Global**"), 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.

(iii) 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited 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**").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting periods, as appropriate.

The preparation of the unaudited consolidated financial results in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated financial statements for the three months ended 31 March 2021 are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2020.

Application of new and amendments to HKFRSs

In the current period, the Group has applied the new and amendments to HKFRSs issued by the HKICPA which are effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's unaudited condensed consolidated financial statements.

The application of new and amendments to HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

3. REVENUE

Revenue for the period 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 period are as follows:

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance leasing income	**12,863**	14,502
Interest income from loan receivables	**290**	496
Income from postpartum care services	**9,400**	–
	22,553	14,998

4. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on investment of structured deposits	**556**	–
Government subsidies *(Note)*	**729**	–
Exchange gain, net	**3**	8
Others	**50**	–
	1,338	8

Note:

The PRC tax authority has announced that for the years ended 31 December 2020 and 31 December 2021, entities engaged in provision of service in four particular areas could have extra deduction on VAT.

5. FINANCE COSTS

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Imputed interests on interest-free deposits from finance lease customers	**289**	1,097
Interests on bank borrowing repayable within one year	**1,411**	956
Interests on lease liabilities	**341**	248
	2,041	2,301

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

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment losses recognised on:		
– finance lease receivable	**296**	1,388
– loan receivables	**(42)**	177
	254	1,565

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	**35**	1,210
Deferred tax	**486**	265
	521	1,475

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended 31 March 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Directors' emoluments	**436**	629
Other staff costs		
– Salaries, allowances and other staff benefits	**6,640**	2,529
– Staffs' retirement benefit scheme contributions	**978**	213
Total staff costs	**8,054**	3,371
Less: staff costs recognised as research and development costs in other operating expenses	**(457)**	(173)
Staff costs recognised in profit or loss	**7,597**	3,198
Amortisation of intangible assets	**258**	–
Depreciation of property, plant and equipment	**1,228**	110
Depreciation of right-of-use assets	**2,474**	1,020
Research and development costs recognised as an expense (included in other operating expenses)	**472**	293
Short-term leases payments	**1,323**	–

9. DIVIDENDS

The board of Directors of the Company does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB3,011,000 (three months ended 31 March 2020: RMB3,620,000) and on the weighted average number of ordinary shares in issue during the period of 400,000,000 (three months ended 31 March 2020: 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 periods.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of the Company announces the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2021 together with the corresponding comparative figures.

BUSINESS REVIEW

For the three months ended 31 March 2021, the Group is principally engaged in provision of medical equipment finance leasing services and maternal and child postpartum care industry services in the PRC.

Finance leasing services

For the three months ended 31 March 2021, 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 1,522 SMEs customers across 30 provinces, municipalities and autonomous regions in the PRC as at 31 March 2021.

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.

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.

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.

As at 31 March 2021, the Group has 6 postpartum care centres in 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.

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. For the three months ended 31 March 2021, the Group's revenue increased by approximately RMB7.6 million or approximately 50% to approximately RMB22.6 million (three months ended 31 March 2020: approximately RMB15.0 million). The increase in revenue for the three months ended 31 March 2021 was mainly attributable to the new postpartum care services income of RMB9.4 million contributed by the maternal and child postpartum care industry services, which offsetting the finance leasing income decreased from approximately RMB15.0 million for the three months ended 31 March 2020 to approximately RMB13.2 million for the three months ended 31 March 2021.

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 RMB3.2 million for the three months ended 31 March 2020 to approximately RMB7.6 million for the three months ended 31 March 2021. The increase was mainly attributable to (i) the increase in head count and staff salaries for existing staff during the period; (ii) the additional staff costs incurred by new maternal and child postpartum care business; and (iii) the PRC government had granted a deduction for the Group's contribution of social insurance funds for the three months ended 31 March 2020 and there was no such deduction for the three months ended 31 March 2021.

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 in accordance with Hong Kong Financial Reporting Standard 9.

For the three months ended 31 March 2020, an additional impairment loss of approximately RMB1.6 million was recognised primarily due to an increase in impairment allowance as a result of an increase in the probability of default as at 31 March 2020 in response to the outbreak of the Covid-19 at the beginning of 2020. For the three months ended 31 March 2021, an additional impairment loss of approximately RMB0.3 million was recognised primarily due to an increase in impairment allowance as a result of an increase in finance lease receivable and loan receivables.

Other operating expenses

Other operating expenses include primarily travelling expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, short-term leases payments and the operating expenses incurred by new maternal and child postpartum care business.

Other operating expenses increased from approximately RMB2.9 million for the three months ended 31 March 2020 to approximately RMB10.5 million for the three months ended 31 March 2021. The increase was mainly due to (i) the increase in depreciation of property, plant and equipment, resulting from hiring a new head office in Shenzhen, the PRC in the 2nd half year of 2020 in order to develop the new business and accommodate the increase in number of staff; (ii) and depreciation of right-of-use assets, short-term leases payments and the operating expenses incurred by new maternal and child postpartum care 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 RMB2.3 million for the three months ended 31 March 2020 to approximately RMB2.0 million for the three months ended 31 March 2021. The decrease was mainly due to imputed interest expense on interest-free deposits from finance lease customers decreased from approximately RMB1.1 million for the three months ended 31 March 2020 to approximately RMB0.3 million for the three months ended 31 March 2021 as a result in the reduction in the amount of deposits from finance lease customers, which offsetting the interest on bank borrowing increased from approximately RMB1.0 million for the three months ended 31 March 2020 to approximately RMB1.4 million for the three months ended 31 March 2021.

Income tax expenses

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

Profit and total comprehensive income attributable to owners of the Company

For the three months ended 31 March 2021 and 2020, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB3.0 million and RMB3.6 million, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company for the three months ended 31 March 2021 was mainly attributable to the increase in staff costs and other operating costs which offsetting the increase in revenue and other gains and losses and the decrease in impairment losses under ECL model, net of reversal as compared to the corresponding period in 2020.

Dividend

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

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 31 March 2021, 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.

COMPETING INTEREST

For the three months ended 31 March 2021, 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

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2021 and up to the date of this announcement.

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 three months ended 31 March 2021 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 financial information in this announcement has not been audited. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 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, 10 May 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 Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.ziyygroup.com.